

FRANCES BAARD

DISTRICT MUNICIPALITY



ANNUAL FINANCIAL STATEMENTS
30 JUNE 2010

FRANCES BAARD DISTRICT MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS AS AT 30 JUNE 2010

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CHIEF FINANCIAL OFFICER REPORT

FINANCIAL PERFORMANCE REVIEW

By the Chief Financial Officer

1. INTRODUCTION

The financial year end performance result of the district municipality reflects its capability to manage its strong Statement of Financial Position efficiently and maintaining sound financial health in order to deliver on its constitutional and developmental mandate.

The President in his 2010 State of the Nation Address signaled that government intends to deliver more and better services in a caring and efficient manner; hold political office bearers and public servants accountable; shift resources to new priorities; move from debate to effective implementation and decisive action and to work in partnership with communities, labour and business to achieve shared objectives. National Government's main priority for each municipality is to do more within its existing resource envelope.

In order to adhere to the President's call for more and better services the district municipality follows a practice of sound, conservative budgeting aimed at enhancing financial resources through maximised revenue collection and controlling costs to the minimum necessary expenditure based on its approved Integrated Development Plan (IDP) and Local Government Turnaround Strategy objectives. Pre-determined key performance indicators in the IDP and operational outcomes have informed and driven the financial planning process about what is financially affordable given the financial targets and expenditure limits determined by National Treasury.

Due to the sharp downturn experienced in the global economy and the ripple effect it might have on local government to deliver in terms of its mandate, the district municipality is under severe pressure to allocate more resources as supplementary funding in an effort to protect the poor from the worst economic turndown impacts. Notwithstanding the negative impact on revenue streams and ability to spend according to service delivery and budget implementation plan, the district municipality manages to maintain focus on key service delivery areas in supporting the local municipalities in the district area by spending almost 46% of its total operating expenditure on infrastructure, maintenance and social related projects. The implementation of IDP infrastructure projects in the current financial year reflects fairly good as most of the projects have been completed timeously with the exception of nine projects from own revenue to the estimated amount of R5,64m that will be rolled over for completion early in the new financial year.

The Community Wealth (CRR and Unappropriated Surplus) has grown from approximately R56,26 million to approximately R60,23 million for the financial year under review. All of the provisions and resources are cash backed.

Council holds a substantial amount of conditional grants and receipts. The amount allocated in terms of DoRA increased for the financial year under review due to the fact that more money has been allocated for infrastructure and job creation related projects. Spending on grants and receipts has increased significantly compared to the previous financial year and it is envisaged that most of the remaining unspent grants will be expended before the end of the next financial year as per already approved business plans.

2. OPERATING RESULTS

Council has achieved an operating surplus to the amount of R3,59m before taking into account nett positive appropriations to the amount of R7,62m for the past financial year. The positive results are mainly due to actuarial gains not budgeted, savings on expenditure like salaries, unspent grants & subsidies for infrastructure, maintenance and social related projects at year end, contracted services, general expenses and repairs & maintenance.

The operating results for the year ended 30 June 2010 are as follows:

<i>Revenue & Expenditure</i>	<i>Actual 2009 R</i>	<i>Actual 2010 R</i>	<i>Variance 2009/10 %</i>	<i>Budget 2010 R</i>	<i>Variance Actual / Budget %</i>
Operating Income for the year	87,682,944	93,463,290	6.59%	104,219,010	10.32%
Operating Expenditure for the year	(80,023,388)	(90,092,950)	12.58%	(116,089,875)	22.39%
Net Gain (Loss) on Disposal of Property Plant & Equipment	5,769	217,048			
<i>SURPLUS / (DEFICIT) FOR THE YEAR</i>	<i>7,665,325</i>	<i>3,587,388</i>		<i>(11,870,865)</i>	
Accumulated Surplus / (Deficit) at the beginning of the year	39,413,801	45,320,288			
Nett appropriations for the year	(1,758,838)	7,674,522	-536.34%	5,243,140	-46.37%
<i>Accumulated Surplus / (Deficit) at the end of the year</i>	<i>45,320,288</i>	<i>56,582,199</i>		<i>(6,627,725)</i>	

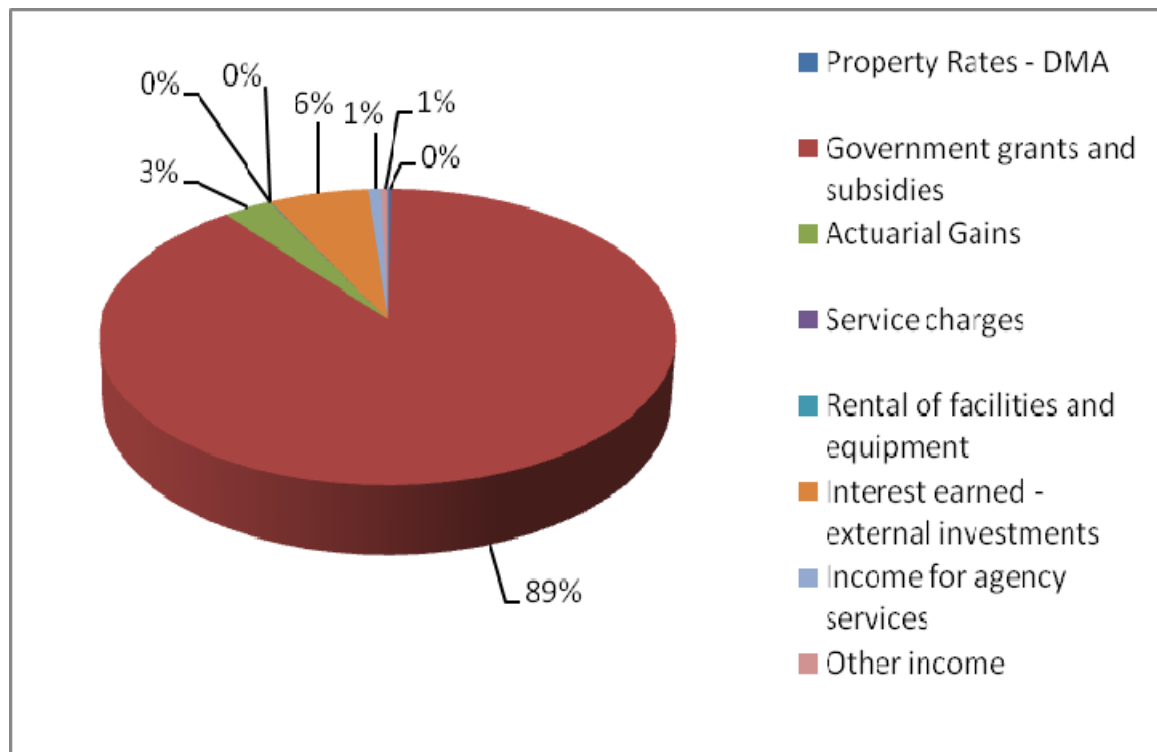
Details of the operating results per classification and object of income and expenditure are included in the statement of financial performance, note 35.1 to the financial statements and appendix E (1), whilst the detailed operating results per National Treasury functional classification are reflected in Appendix D.

Council's performance, when compared to the budget, must be seen in the context of conservative budgeting practices influenced by other factors such as the inability of some Category B municipalities to implement grant & subsidy allocated projects

2.1 OPERATING REVENUE

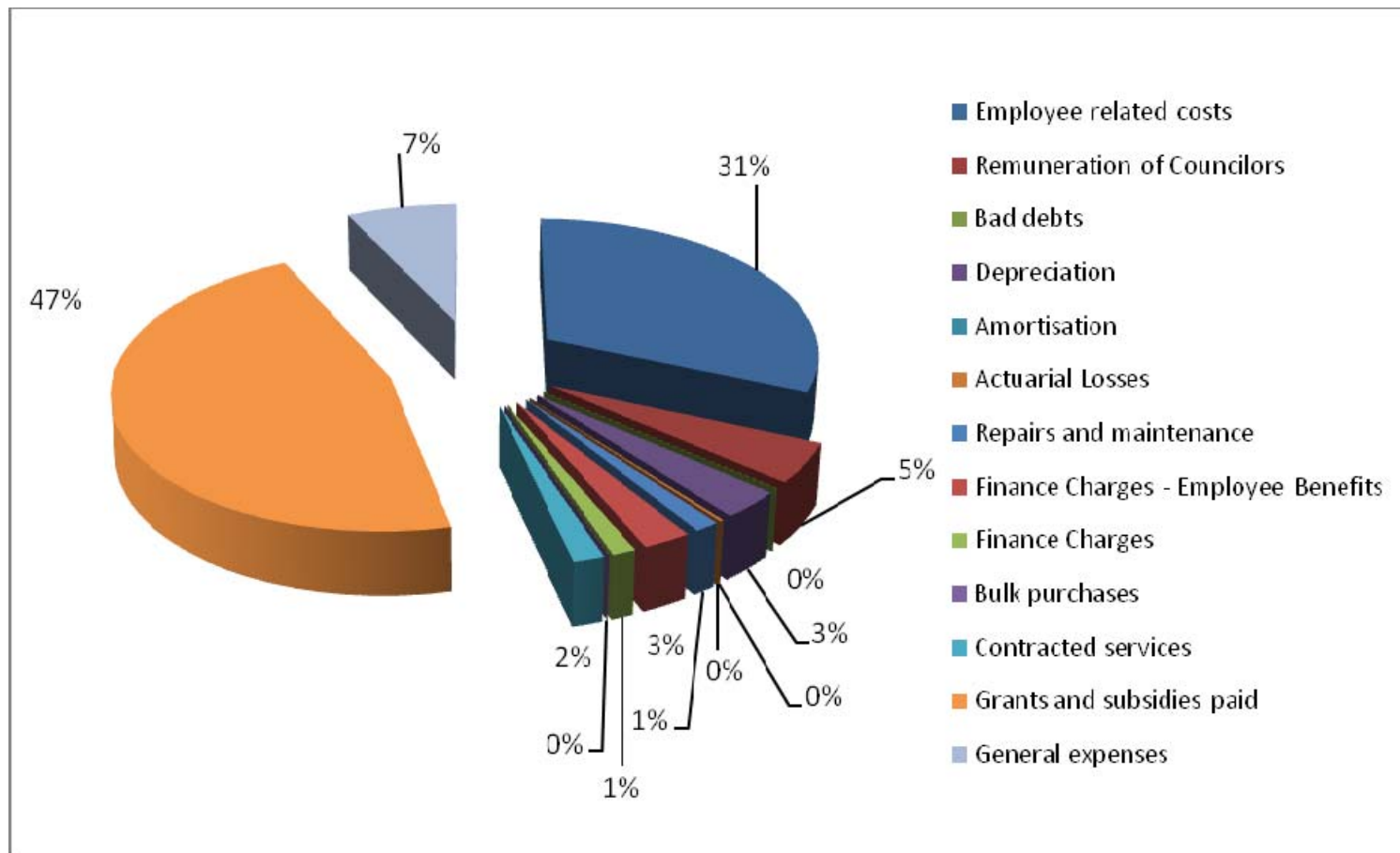
The major revenue streams that supported the programmes and activities of the district municipality were:

- Government Grants and Subsidies
- Interest Earned – External Investments
- Actuarial Gains
- Other: - Property Rates, Services Charges: Water, Rental of Facilities and other income



2.2 OPERATING EXPENDITURE

The following graph indicates the main categories of expenditure for the year under review:



2.3 OPERATING PER NATIONAL TREASURY FUNCTIONAL CLASSIFICATIONS

Comments relating to budgeted income and expenditure as per National Treasury functional classifications are as follows:

2.3.1 Executive and Council:

<i>Revenue & Expenditure</i>	<i>Actual 2009 R</i>	<i>Actual 2010 R</i>	<i>Variance 2009/10 %</i>	<i>Budget 2010 R</i>	<i>Variance Actual / Budget %</i>
Revenue	2,148,248	1,258,810	-41.40%	1,278,406	1.53%
Expenditure	16,158,118	17,576,669	8.78%	20,416,086	13.91%
<i>SURPLUS / (DEFICIT)</i>	<i>(14,009,870)</i>	<i>(16,317,859)</i>	<i>16.47%</i>	<i>(19,137,680)</i>	<i>14.73%</i>

Executive and Council consists of Council activities, the office of the Municipal Manager, Internal Audit Unit and Communications section and reflects a net deficit of R16,32m compared to the approved deficit of R19,14m.

The lower than expected operating deficit in relation to the budgeted amount can mainly be attributed due to under performance on grants and subsidies paid as well as general expenditure.

2.3.2 Finance & Administration:

<i>Revenue & Expenditure</i>	<i>Actual 2009 R</i>	<i>Actual 2010 R</i>	<i>Variance 2009/10 %</i>	<i>Budget 2010 R</i>	<i>Variance Actual / Budget %</i>
Revenue	67,134,207	69,775,704	3.93%	67,739,234	-3.01%
Expenditure	20,111,658	27,296,512	35.72%	25,741,820	-6.04%
<i>SURPLUS / (DEFICIT)</i>	<i>47,022,549</i>	<i>42,479,192</i>	<i>-9.66%</i>	<i>41,997,414</i>	<i>-1.15%</i>

The vote of Finance & Administration reflects a negative deviation of R42k or -9.6% compared to the approved budget. The nett result compared to the approved budget is not regarded as significant.

2.3.3 Planning & Development::

<i>Revenue & Expenditure</i>	<i>Actual 2009 R</i>	<i>Actual 2010 R</i>	<i>Variance 2009/10 %</i>	<i>Budget 2010 R</i>	<i>Variance Actual / Budget %</i>
Revenue	16,164,075	19,595,293	21.23%	38,283,299	48.82%
Expenditure	38,315,337	38,429,553	0.30%	59,930,814	35.88%
<i>SURPLUS / (DEFICIT)</i>	<i>(22,151,262)</i>	<i>(18,834,259)</i>	<i>-14.97%</i>	<i>(21,647,515)</i>	<i>13.00%</i>

Revenue:

The negative deviation of 48,82% on revenue compared to the approved budget is mainly due to an adjustment on the DoRA allocation in respect of backlog for water and sanitation grant for schools to the estimated amount of R6,29m as well as the unspent portion of grant funding budgeted for roll over in the next financial year to the estimated amount of R5,64m.

Expenditure:

The lower than expected results in relation to the budgeted amounts were mainly due to under expenditure on infrastructure projects to the amount of R5,64m, under spending in respect of special projects in the Local Economic Development Unit to the amount of R300k as well as an incorrect budgeted amount reflecting on the backlog for water and sanitation grant to the amount of R6,29m. The Planning Unit also reflects an under expenditure to the amount of R511k in respect of special projects – MSIG for environmental waste management and air quality plans.

2.3.4 Health:

<i>Revenue & Expenditure</i>	<i>Actual 2009 R</i>	<i>Actual 2010 R</i>	<i>Variance 2009/10 %</i>	<i>Budget 2010 R</i>	<i>Variance Actual / Budget %</i>
Revenue	92,000	214,409	133.05%	96,000	-123.34%
Expenditure	1,415,317	2,203,681	55.70%	2,367,810	6.93%
<i>SURPLUS / (DEFICIT)</i>	<i>(1,323,317)</i>	<i>(1,989,272)</i>	<i>50.32%</i>	<i>(2,271,810)</i>	<i>12.44%</i>

The environmental health section reflects a total saving to the amount of R164k or 12,44% compared to the approved budget due to savings on the grants & subsidies paid and general expenditure..

2.3.5 Community & Social Services:

<i>Revenue & Expenditure</i>	<i>Actual 2009 R</i>	<i>Actual 2010 R</i>	<i>Variance 2009/10 %</i>	<i>Budget 2010 R</i>	<i>Variance Actual / Budget %</i>
Revenue	-	-	0.00%	-	0.00%
Expenditure	749,402	399,477	-46.69%	522,780	23.59%
<i>SURPLUS / (DEFICIT)</i>	<i>(749,402)</i>	<i>(399,477)</i>	<i>-46.69%</i>	<i>(522,780)</i>	<i>23.59%</i>

The under expenditure to the amount of R123k or 23,59% compared to the approved budget is mainly attributed to special community projects not completed due to the position of Community Development Officer not filled permanently for a major portion of the financial year.

2.3.6 Public Safety:

Revenue & Expenditure	Actual 2009 R	Actual 2010 R	Variance 2009/10 %	Budget 2010 R	Variance Actual / Budget %
Revenue	731,420	1,411,510	92.98%	1,650,716	14.49%
Expenditure	1,843,984	2,435,139	32.06%	3,543,156	31.27%
SURPLUS / (DEFICIT)	(1,112,564)	(1,023,629)	-7.99%	(1,892,440)	45.91%

Fire Fighting and Disaster Management section reflects an under expenditure to the amount of R1,11m compared to the approved budget.

The main reason for the variation is due to savings on the personnel budget, unforeseen emergency projects as well as under spending on the Fire Fighting and Disaster Management grant for special projects to be rolled over to the next financial year.

2.3.7 Water Services – Koopmansfontein:

Revenue & Expenditure	Actual 2009 R	Actual 2010 R	Variance 2009/10 %	Budget 2010 R	Variance Actual / Budget %
Revenue	22,997	21,259	-7.56%	41,370	48.61%
Expenditure	28,989	22,836	-21.23%	44,870	49.11%
SURPLUS / (DEFICIT)	(5,992)	(1,578)	-74%	-3,500	55%

The budget in respect of revenue and expenditure for Koopmansfontein water services were not realistic and the deviation with regard to the actual revenue and expenditure compared to the approved budget is not regarded as significant.

An estimate of 90% of the 37 households in Koopmansfontein are indigent. The tariff determined for water consumption is not sufficient to cover the full operating cost to render the service and therefore any loss will be funded as a contribution from the equitable share allocation.

2.3.8 Electricity Service – Koopmansfontein:

Revenue & Expenditure	Actual 2009 R	Actual 2010 R	Variance 2009/10 %	Budget 2010 R	Variance Actual / Budget %
Revenue	6,649	8,134	22.34%	12,780	36.36%
Expenditure	8,690	8,741	0.59%	12,780	31.61%
SURPLUS / (DEFICIT)	(2,041)	(607)	-70%	-	100%

The budget in respect of free basic services for electricity at Koopmansfontein was not realistic and the deviation of actual expenditure compared to the approved budget is not regarded as significant.

An electricity pre-paid system is used and Eskom is the service provider with the district municipality responsible to fund the 50 kWh free basic service (if registered as an indigent) as a contribution from the equitable share allocation.

2.3.9 Housing

Revenue & Expenditure	Actual 2009 R	Actual 2010 R	Variance 2009/10 %	Budget 2010 R	Variance Actual / Budget %
Revenue	1,391,224	1,550,172	11.43%	1,841,060	15.80%
Expenditure	1,394,000	1,875,153	34.52%	1,792,030	-4.64%
SURPLUS / (DEFICIT)	(2,776)	(324,980)	11607%	49,030	763%

The negative results with regard to the Housing Unit can mainly be attributed to the fact that the operational grant in respect of the new government financial year has not been paid as per memorandum of understanding signed between the responsible department and the Frances Baard District Municipality.

3. APPROPRIATIONS

Appropriations for the year amount to a net inflow of R7,29m which can mainly be attributed to:

- | | |
|---|--------------|
| • Transfer to Capital Replacement Reserve | (R2,691,550) |
| • Property, Plant and Equipment purchased | R9,982 610 |
| • Offsetting of depreciation | R 233,543 |
| • Asset Disposals | R 149,920 |

4. POST-BALANCE SHEET EVENTS

No other significant events have occurred between the balance sheet date and the time of issuing this report.

5. CAPITAL EXPENDITURE AND FINANCING

	<i>Actual</i> <i>R</i> 2010	<i>Budget</i> <i>R</i> 2010	<i>Variance Actual</i> <i>/ Budget %</i>	<i>Actual</i> <i>R</i> 2009
<u>Capital Expenditure</u>				
Executive & Council	118,006	132,250	10.77%	1,331,891
Finance & Administration	1,353,906	1,467,190	7.72%	706,688
Planning & Development	8,392,841	7,336,020	-14.41%	20,721,733
Health	12,419	14,200	100.00%	16,064
Community & Social Services	-	20,000	100.00%	4,225
Housing	306,816	326,000	5.88%	-
Public Safety	182,547	144,000	-26.77%	342,539
Water Services	-	-	0.00%	-
TOTAL CAPITAL EXPENDITURE:	10,366,535	9,439,660	-9.82%	23,123,140
<u>Financing of Fixed Assets</u>				
Capital Replacement Reserve	9,933,163	9,036,550	-9.92%	8,123,140
External Loans	337,110	337,110	0.00%	15,000,000
Government Grants & Subsidies	46,816	66,000	29.07%	92,378
TOTAL FUNDING OF CAPITAL EXPENDITURE:	10,317,088	9,439,660	-9.30%	23,215,519

Actual expenditure incurred on fixed assets represents a decrease of R12,90m in comparison with the 2008/09 financial year.

The actual capital expenditure reflects a negative performance of 9,30% or R877k more than the approved budget mainly due to an additional amount approved by the council during May 2010 in respect of professional fees not foreseen on the building of the new Council Chamber.

Council attained a capital efficiency ratio of 109,30% for the financial year under review.

(A complete analysis of capital expenditure per asset classification is included in appendix B)

6. EXTERNAL BORROWINGS

The District Municipality reflects an external loan of R15m from Development Bank of Southern Africa to partially finance the construction of the new Council Chamber, offices and training facilities to the total estimated value of R34m. as well as a capitalized lease liability for the rental of photocopier machine to the value of R266k. An amount of R15,26m reflects outstanding as at 30 June 2010 in terms of the external loan and capitalized leased liability agreements.

Some financial ratios relevant to external borrowings are:

	<u>2009/10</u>	<u>2008/09</u>
Interest Bearing Debt to Revenue	15,13%	17,11%
Average Interest Paid to Debt	7,92%	2,53%
Capital Charges to Operating Expenditure	1,24%	0,47%

7. CASH AND INVESTMENTS

Council's cash and investments to the amount of R65,87m reflect a decrease of R4,44m or 6,31% compared to the previous financial year. Investments to the amount of R500k are ceded as collateral security on housing loans for officials of Council. ***(Refer to note 17)***

8. OUTSTANDING RECEIVABLES

Overall receivables including the short term portion of long term receivables reflect a decrease of R1,26m compared to the previous financial year. The 27,05% decrease can mainly be attributed to the effective implementation of credit control policy and debt management procedures for the year under review. Provision for bad debts decreased by R0,65k compared to the previous financial year which is not regarded as significant.

(Details with regard to the breakdown of debtors per category is set out in Notes 14 & 15)

Some financial ratios relevant to debtors are:

	<u>2009/10</u>	<u>2008/09</u>
Debt to Revenue	6,66%	8,64%
Outstanding Water Consumer Debtors to Revenue	3,91%	6,95%

Days Debtors Outstanding – Koopmansfontein Water 14 Days 25 Days

9. OUTSTANDING PAYABLES

Increase of outstanding payables to the amount of R31,54k or 0,52% can mainly be attributed to the increase in sundry payables to the total value of R1,93m compared to the previous financial year.

Unspent government grants reflect a decrease of 17,70% mainly due to an increase in the spending grants and subsidies rolled-over from the previous financial year.

Some financial ratios relevant to payables are:

<u>Creditors Management</u>	<u>2009/10</u>	<u>2008/09</u>
Creditors system efficiency	100%	100%

A trademark of the District Municipality is its commitment and ability to fully settle its creditors' accounts within the required terms of 30 days or as per applicable legislative requirement. This statement is supported by the constant 100% payment levels to creditors.

(Details with regard to outstanding payables is set out in Notes 4)

10. RATIO ANALYSIS / BENCHMARKS

Financial viability and sustainability is one of the key performance areas of the District Municipality as determined in the IDP. In order to ensure that the District Municipality maintains a healthy financial position, appropriate financial ratios / benchmarks are used to assist the District Municipality in assessing its financial wealth.

The appropriate financial ratios / benchmarks to assess the District Municipality's financial position are:

<u>Liquidity</u>	<u>2009/10</u>	<u>2008/09</u>
Liquidity - Current Ratio	3,90: 1	4,26: 1
Cash to Current Liabilities	3,55: 1	3,81: 1

Total Asset Turnover	2,05 Times	2,29 Times
Grant Dependency (Actual receipts per DoRA allocation)	89,17%	87,63%
<u>Efficiency</u>	<u>2009/10</u>	<u>2008/09</u>
Personnel costs to operating expenditure (Inclusive of councilor remuneration)	36,00%	33,23%

11. EXPRESSION OF APPRECIATION

I am grateful to the Executive Mayor, the Speaker, members of the Mayoral Committee, the Chairperson and members of the Finance Portfolio Committee, Councillors, the members of the Audit Committee, the Municipal Manager, Heads of Departments and staff for their support and co-operation received during the past financial year.

A special word of appreciation is appropriate to the staff involved with the compilation of the financial statements for their dedication and hard work, as well as to all the staff in the Directorate Finance for the months of hard work, sacrifices and concerted effort during the financial year to enable the District Municipality to finalise the financial statements within the prescribed period.

P.J. VAN BILJON
CHIEF FINANCIAL OFFICER

ACCOUNTING POLICIES

**ACCOUNTING PRINCIPLES AND POLICIES APPLIED IN THE
FINANCIAL STATEMENTS**

1. BASIS OF PREPARATION

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.

These annual financial statements have been prepared in accordance with Directive 5 “Determining the GRAP Reporting Framework”, issued by the Accounting Standards Board.

The standards are summarised as follows:

GRAP 1	Presentation of Financial Statements
GRAP 2	Cash Flow Statements
GRAP 3	Accounting Policies, Changes in Accounting Estimates and Errors
GRAP 4	The Effects of changes in Foreign Exchange Rates
GRAP 5	Borrowing Costs
GRAP 6	Consolidated and Separate Financial Statements
GRAP 7	Investments in Associate
GRAP 8	Interests in Joint Ventures
GRAP 9	Revenue from Exchange Transactions
GRAP 10	Financial Reporting in Hyperinflationary Economics
GRAP 11	Construction Contracts
GRAP 12	Inventories
GRAP 13	Leases
GRAP 14	Events after the reporting date

GRAP 16	Investment Property
GRAP 17	Property, Plant and Equipment (PPE)
GRAP 19	Provisions, Contingent Liabilities and Contingent Assets
GRAP 100	Non-Current Assets Held for Sale and Discontinued Operations
GRAP 101	Agricultural
GRAP 102	Intangible assets
IPSAS 20	Related Party Disclosure
IFRS 3 (AC140)	Business Combinations
IFRS 4 (AC141)	Insurance Contracts
IFRS 6 (AC143)	Exploration for and Evaluation of Mineral Resources
IFRS 7 (AC144)	Financial Instruments: Disclosure
IFRS 12 (AC102)	Income Taxes
IFRS 19 (AC116)	Employee Benefits
IFRS 32 (AC125)	Financial Instruments: Presentation
IFRS 39 (AC133)	Recognition and Measurement
SIC – 20 (AC421)	Income Taxes – Recovery of Revaluated Non-Depreciable Assets
SIC – 25 (AC425)	Income Taxes – Changes in the Tax Status on an Entity or its Shareholders
SIC – 29 (AC429)	Service Concessions Arrangements – Disclosures
IFRIC 2 (AC435)	Members' Shares in Co-operative Entities and Similar Instruments
IFRIC 4 (AC437)	Determining whether an Arrangement contains a Lease
IFRIC 9 (AC442)	Reassessment of Embedded Derivatives
IFRIC 12 (AC445)	Service Concession Arrangements
IFRIC 13 (AC446)	Customer Loyalty Programmes

IFRIC 14 (AC447) IAS19	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
IFRIC 15 (AC448)	Agreements for the Construction of Real Estate
IFRIC 16 (AC449)	Hedges in a Net Investment in a Foreign Operation

Accounting policies for material transactions, events or conditions not covered by the above GRAP have been developed in accordance with paragraphs 7, 11 and 12 of GRAP 3.

A summary of the significant accounting policies, which have been consistently applied except where an exemption or transitional provision has been granted, are disclosed below.

Assets, liabilities, revenue and expenses have not been offset except when offsetting is permitted or required by a Standard of GRAP. The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated. The details of any changes in accounting policies are explained in the relevant notes to the Financial Statements.

In terms of Directive 4: "Transitional Provisions for Medium and Low Capacity Municipalities" issued by the Accounting Standards Board the municipality has adopted the transitional provisions for the following GRAP Standards (Refer to correction of error note as transitions was not utilised in the prior year):

GRAP 12 – Inventories
GRAP 16 – Investment Property
GRAP 17 – Property, Plant and Equipment
GRAP 19 – Provisions, Contingent Liabilities and Contingent Assets
GRAP 100 – Non-current Assets Held for Sale and Discontinued Operations
GRAP 102 – Intangible Assets

2. PRESENTATION CURRENCY

Amounts reflected in the financial statements are in South African Rand and at actual values. No financial values are given in an abbreviated display format. No foreign exchange transactions are included in the statements.

3. GOING CONCERN ASSUMPTION

These annual financial statements have been prepared on a going concern basis.

4. COMPARATIVE INFORMATION

Budget information in accordance with GRAP 1, has been provided in an annexure to these financial statements and forms part of the audited annual financial statements.

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated, unless a standard of GRAP does not require the restatements of comparative information. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

5. STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the municipality:

GRAP 18	Segment Reporting
GRAP 21	Impairment of non-cash-generating assets
GRAP 23	Revenue from Non-Exchange Transactions (Taxes and Transfers)
GRAP 24	Presentation of Budget Information in Financial Statements
GRAP 25	Employee Benefits
GRAP 26	Impairment of cash-generating assets
GRAP 103	Heritage Assets
GRAP 104	Financial Instruments

6. FOREIGN CURRENCY TRANSACTIONS

The Municipality will not incur a foreign currency liability other than that allowed by the MFMA.

7. RESERVES

7.1 Capital Replacement Reserve (CRR)

In order to finance the provision of infrastructure and other items of property, plant and equipment from internal sources, amounts are transferred from the accumulated surplus / (deficit) to the CRR in terms of a Council Resolution for approval thereof. The cash in the CRR can only be utilized to finance items of property, plant and equipment. The CRR is reduced and the accumulated surplus / (Deficit) are credited by a corresponding amount when the amounts in the CRR are utilized.

The amount transferred to the CRR is based on the municipality's need to finance capital projects included in the Integrated Development Plan.

The CRR may only be utilized for the purpose of purchasing/ construction of items of property, plant and equipment and may not be used for the maintenance of these items.

7.2 Revaluation Reserve

The accounting for the Revaluation Reserve must be done in accordance with the requirements of GRAP 17.

All increases in the carrying value of assets as a result of a revaluation are credited against the reserve, except to the extent that the increase reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

All decreases in the carrying value of assets as a result of a revaluation are debited against the reserve to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

8. LEASES

8.1 Municipality as Lessee

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Transfer of ownership is not required to be recognised as a finance lease. Property, plant and equipment or intangible assets subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant and equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment

using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are accrued on a straight-line basis over the term of the relevant lease.

8.2 Municipality as Lessor

Under a finance lease, the municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to derecognition and impairment of financial instruments are applied to lease receivables.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

9. BORROWING COST

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalised to the cost of that asset unless it is inappropriate to do so. The municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete. It is considered inappropriate to capitalise borrowing costs where the link between the funds borrowed and the capital asset acquired cannot be adequately established. Borrowing costs incurred other than on qualifying assets are recognised as an expense in the Statement of Financial Performance when incurred.

10. UNSPENT CONDITIONAL GRANTS

Unspent conditional grants are financial liabilities that are separately reflected on the Statement of Financial Position. They represent unspent government grants, subsidies and contributions from the public.

This liability always has to be cash-backed. The following provisions are set for the creation and utilisation of this creditor:

- Unspent conditional grants are recognised as a liability when the grant is received.
- When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.
- The cash which backs up the creditor is invested until it is utilised.

- Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor. If it is the Municipality's interest it is recognised as interest earned in the Statement of Financial Performance.

11. PROVISIONS

Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resource embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate. where the effect is material, non-current provisions are discounted to their present value using a discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability (for example in the case of obligations for the rehabilitation of land).

The municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is probable.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

- (a) The municipality has a detailed formal plan for the restructuring identifying at least:
- the business or part of a business concerned;
 - the principal locations affected;
 - the location, function and approximate number of employees who will be compensated for terminating their services;
 - the expenditures that will be undertaken; and
 - when the plan will be implemented.
- (b) The municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

The amount recognised as a provision shall be the best estimate of the expenditure required to settle the present obligation at the reporting date.

Provisions shall be reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, the provision shall be reversed.

12. EMPLOYEE BENEFITS

(a) Pension obligations

The District Municipality contributes to the following post retirement funds - Cape Joint Pension fund, Cape Joint Retirement fund and SAMWU Retirement fund which provides for retirement benefits to its employees.

For defined contribution plans, the District Municipality pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The contributions are recognized as employee benefit expenses when they are due. Prepaid contributions are recognized as an asset to the extent that a cash refund or reduction in the future payments is available.

At present Council is paying, out of own funds, pensions to certain persons from the former Divisional Council Vaalrivier who retired before 31 December 1990.

It is an unfunded post-employment benefit and the amount paid per year is recognised as an expense on the operating account.

(b) Post Retirement Medical obligations

The municipality provides post-retirement medical benefits by subsidizing the medical aid contributions of certain retired staff according to the rules of the medical aid funds. Council pays 70% as contribution and the remaining 30% are paid by the members. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The present value of the defined benefit liability is actuarially determined in accordance with IAS 19 – Employee benefits (using a discount rate applicable to high quality government bonds). The plan is unfunded.

These contributions are charged to the Statement of Financial Performance when employees have rendered the service entitling them to the contribution. The unrecognised liability was calculated by means of the projected unit credit actuarial valuation method. The liability in respect of current pensioners is regarded as fully accrued, and is therefore not split between a past (or accrued) and future in-service element. The liability is recognised at the fair value of the obligation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is charged or credited to the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically by independent qualified actuaries.

(c) Long Service awards

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the municipality. The municipality's obligation under these plans is valued by independent qualified actuaries at year-end and the corresponding liability is raised. Payments are set-off

against the liability, including notional interest, resulting from the valuation by the actuaries are charged against the Statement of Financial Performance as employee benefits upon valuation.

(d) *Ex-Gratia Pension Benefits*

The municipality provides pension benefits to all employees who were not members of the pension or provident funds, and who had completed at least ten years of service at the council on reaching the age of 60. The municipality's obligation under these plans is valued by independent qualified actuaries at year-end and the corresponding liability is raised. Payments are set-off against the liability, including notional interest, resulting from the valuation by the actuaries are charged against the Statement of Financial Performance as employee benefits upon valuation.

(e) *Accrued Leave Pay*

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total amount of leave days due to employees at year end and also on the total remuneration package of the employee.

13. PROPERTY, PLANT AND EQUIPMENT

13.1 *Initial Recognition*

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the assets acquired is initially measure at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

13.2 Subsequent Measurement – Revaluation Model

Subsequent to initial recognition, Property, Plant and Equipment are carried at a revalued amount, unless otherwise stated in the relevant Notes to the Financial Statements, being its fair value at the date of revaluation less any subsequent accumulated depreciation and impairment losses.

An increase in the carrying amount of an asset as a result of a revaluation is credited directly to a revaluation surplus reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

A decrease in the carrying amount of an asset as a result of a revaluation is recognised in surplus or deficit, except to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

13.3 Subsequent Measurement – Cost Model

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

13.4 Depreciation and Impairment

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated useful lives

	<i>Years</i>		<i>Years</i>
<u>Infrastructure</u>		<u>Other</u>	
Roads and Paving	30	Buildings	30
Pedestrian Malls	30	Specialist vehicles	10
Electricity	20-30	Other vehicles	5
Water	15-20	Office equipment	3-7
Sewerage	15-20	Furniture and fittings	7-10
Housing	30	Watercraft	15

<u>Community</u>		Bins and containers	5
Buildings	30	Specialised plant and	
Recreational Facilities	20-30	Equipment	10-15
Security	5	Other plant and	
Halls	20-30	Equipment	2-5
Libraries	20-30	Landfill sites	15
Parks and gardens	15-20	Quarries	25
Other assets	15-20	Emergency equipment	10
		Computer equipment	3
<u>Heritage assets</u>			
No depreciation			
<u>Finance lease assets</u>			
Office equipment	3		
Other assets	5		

Property, plant and equipment are reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment charged to the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of an impairment is recognised in the Statement of Financial Performance.

13.5 Derecognition

Items of property, plant and equipment are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

14. INTANGIBLE ASSETS

14.1 Initial Recognition

An intangible asset is an identifiable non-monetary asset without physical substance.

An asset meets the identifiability criterion in the definition of an intangible asset when it:

- is separable, i.e. is capable of being separated or divided from the entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, asset or liability; or
- arises from contractual rights (including rights arising from binding arrangements) or other legal rights (excluding rights granted by statute), regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the municipality intends to complete the intangible asset for use or sale;
- it is technically feasible to complete the intangible asset;
- the municipality has the resources to complete the project; and
- it is probable that the municipality will receive future economic benefits or service potential.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired by the municipality for no or nominal consideration (i.e. a non exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

14.2 Subsequent Measurement – Cost Model

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

14.3 Amortisation and Impairment

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method. Amortisation of an asset begins when it is available for use, i.e. when it is in the condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are amortised separately. The estimated useful lives, residual values and amortisation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The annual amortisation rates are based on the following estimated useful lives:

<u>Intangible Assets</u>	<u>Years</u>
Computer Software	5

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at each reporting date and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

The municipality tests intangible assets with finite useful lives for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of an intangible asset is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

14.3 Derecognition

Intangible assets are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

15. INVESTMENT PROPERTY

15.1 Initial Recognition

Investment property shall be recognised as an asset when, and only when:

- it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the entity, and
- the cost or fair value of the investment property can be measured reliably.

Investment property includes property (land or a building, or part of a building, or both land and buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the municipality accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

The cost of self-constructed investment property is the cost at date of completion.

15.2 Subsequent Measurement – Fair Value Model

Investment property is measured using the fair value model. Under the fair value model, investment property is carried at its fair value at the reporting date. Any gain or loss arising from a change in the fair value of the property is included in surplus or deficit for the period in which it arises.

15.5 Derecognition

Investment property is derecognised when it is disposed or when there are no further economic benefits expected from the use of the investment property. The gain or loss arising on the disposal or retirement of an item of investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

16. NON-CURRENT ASSETS HELD FOR SALE

16.1 Initial Recognition

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

16.2 Subsequent Measurement

Non-current assets held for sale (or disposal group) are measured at the lower of carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in surplus or deficit.

17. CONSTRUCTION CONTRACTS

Where the outcome of a construction contract can be estimated reliably, contract revenue and costs are recognised by reference to the stage of completion of the contract activity at the reporting date, as measured by either the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs or surveys of work done or completion of a physical proportion of the contract work.

Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent that contract costs incurred are recoverable. Contract costs are recognised as an expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

18. IMPAIRMENT OF ASSETS

The municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the municipality estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. Impairment losses are recognised in the Statement of Financial Performance in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the municipality estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the income statement.

19. INVENTORIES

19.1 Initial Recognition

Inventories comprise current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where inventory is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

19.2 Subsequent Measurement

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down in this way. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

In general, the basis of allocating cost to inventory items is the first-in, first-out method.

20. FINANCIAL INSTRUMENTS

Financial instruments recognised on the balance sheet include trade and other receivables, cash and cash equivalents, annuity loans and trade and other payables.

20.1 Initial Recognition

Financial instruments are initially recognised at fair value.

20.2 Subsequent Measurement

Financial Assets are categorised according to their nature as either financial assets at fair value through profit or loss, held-to-maturity, loans and receivables, or available for sale. Financial Liabilities are categorised as either at fair value through profit or loss or financial liabilities carried at amortised cost ("other"). The subsequent measurement of financial assets and liabilities depends on this categorisation and, in the absence of an approved GRAP Standard on Financial Instruments, is in accordance with IAS 39.

20.2.1 Investments

Investments, which include listed government bonds, unlisted municipal bonds, fixed deposits and short-term deposits invested in registered commercial banks, are categorised as either held-to-maturity where the criteria for that categorisation are met, or as loans and receivables, and are measured at amortised cost. Where investments have been impaired, the carrying value is adjusted by the impairments are calculated as being the difference between the carrying amount and the present value of the expected future cash flows flowing from the instrument. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

20.2.2 Trade and Other Receivables

For amounts due from debtors carried at amortised cost, the municipality first assesses individually whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. Objective evidence of impairment include significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 120 days overdue). If the municipality determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the municipality. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is recognised in the income statement.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

20.2.3 Trade Payables and Borrowings

Financial liabilities consist of trade payables and borrowings. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value and subsequently measured at amortised cost which is the initial carrying amount, less repayments, plus interest.

20.2.4 Cash and Cash Equivalents

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with bank, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: loans and receivables.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilities carried at amortised cost.

20.3 Derecognition of Financial Instruments

20.3.1 Financial Assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the municipality has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the municipality has transferred substantially all the risks and rewards of the asset, or (b) the municipality has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the municipality has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, a new asset is recognised to the extent of the municipality's continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset, is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the municipality could be required to repay.

When continuing involvement takes the form of a written and/or purchased option (including a cash settled option or similar provision) on the transferred asset, the extent of the municipality's continuing involvement is the amount of the transferred asset that the municipality may repurchase,

except that in the case of a written put option (including a cash settled option or similar provision) on an asset measured at fair value, the extent of the municipality's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

20.3.2 Financial Liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the income statement.

20.4 *Offsetting of Financial Instruments*

Financial assets and financial liabilities are offset and the net amount reported in the consolidated balance sheet if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

20.5 *Impairment of Financial Assets*

The Municipality assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

21. REVENUE

21.1 *Revenue from Non-Exchange Transactions*

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportionate basis as an exchange transaction

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when payment is received, together with an estimate of spot fines and summonses that will be received based on past experience of amounts collected.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the municipality. Where public contributions have been received but the municipality has not met the related conditions, it is recognised as an unspent public contribution (liability).

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the municipality.

Revenue from recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No. 56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

21.2 Revenue from Exchange Transactions

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered/ goods sold, the value of which approximates the consideration received or receivable.

Service charges relating to electricity and water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the recorded number of refuse containers per property.

Service charges from sewerage and sanitation are based on the number of sewerage connections on each developed property using the tariffs approved from Council and are levied monthly.

Interest revenue is recognised using the effective interest rate method.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Dividends are recognised on the date that the Municipality becomes entitled to receive the dividend.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant gazetted tariff. This includes the issuing of licences and permits.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods are passed to the consumer.

Revenue arising out of situations where the municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

Revenue shall be measured at the fair value of the consideration received or receivable.

The amount of revenue arising on a transaction is usually determined by agreement between the entity and the purchaser or user of the asset or service. It is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and volume rebates allowed by the entity.

In most cases, the consideration is in the form of cash or cash equivalents and the amount of revenue is the amount of cash or cash equivalents received or receivable. However, when the inflow of cash or cash equivalents is deferred, the fair value of the consideration may be less than the nominal amount of cash received or receivable. When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The imputed rate of interest is the more clearly determinable of either:

- The prevailing rate for a similar instrument of an issuer with a similar credit rating; or
- A rate of interest that discounts the nominal amount of the instrument to the current cash sales price of the goods or services.

The difference between the fair value and the nominal amount of the consideration is recognised as interest revenue and in accordance with the relevant Standards of GRAP on Financial Instruments.

When goods or services are exchanged or swapped for goods or services which are of a similar nature and value, the exchange is not regarded as a transaction that generates revenue. When goods are sold or services are rendered in exchange for dissimilar goods or services, the exchange is regarded as a transaction that generates revenue. The revenue is measured at the fair value of the goods or services received, adjusted by the amount of any cash or cash equivalents transferred. When the fair value of the goods or services received cannot be measured reliably, the revenue is measured at the fair value of the goods or services given up, adjusted by the amount of any cash or cash equivalents transferred.

21.3 Grants, Transfers and Donations

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

22. RELATED PARTIES

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. It includes full-time councillors, being the Executive Mayor, Deputy Mayor, Speaker and members of the Mayoral Committee. Key management personnel is defined as the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

23. UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in a form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No. 56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

24. IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No. 56 of 2003), the Municipal Systems Act (Act No. 32 of 200), the Public Office Bearers Act, and (Act. No. 20 of 1998) or is in contravention of the Municipality's Supply Chain Management Policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

25. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and could have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

26. CONTINGENT LIABILITIES

Contingent liabilities existent at the reporting date include housing loan guarantees issued by arrangement with Council's bankers. An investment has been ceded to the bank for global security against individual guarantees issued for collateral security provided for approved employees.

Other known contingent liabilities are reflected in the financial statements.

27. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

In the process of applying the Municipality's accounting policy, management has made the following significant accounting judgements, estimates and assumptions, which have the most significant effect on the amounts recognised in the financial statements:

Operating lease commitments – the Municipality as lessor

The Municipality has entered into commercial property leases on its investment property portfolio. The Municipality has determined that it retains all the significant risks and rewards of ownership of these properties, and so accounts for them as operating leases.

Pension and other post-employment benefits

The cost of defined benefit pension plans and other employment medical benefits is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

Impairment of trade receivables

The calculation in respect of the impairment of debtors is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This was performed per service-identifiable categories across all classes of debtors.

Property, plant and equipment

The useful lives of assets are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets

is also based on management's judgement whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

Provisions and contingent liabilities

Management judgement is required when recognising and measuring provisions and when measuring contingent liabilities. Provisions are discounted where the effect of discounting is material using actuarial valuations.

Revenue Recognition

Accounting Policy 21.1 on Revenue from Non-Exchange Transactions and Accounting Policy 21.2 on Revenue from Exchange Transactions describes the conditions under which revenue will be recognised by management of the municipality.

In making their judgement, management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and GAMAP 9: Revenue, as far as Revenue from Non-Exchange Transactions is concerned (see Basis of Preparation note 1.19 above). Specifically, whether the municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services are rendered, whether the service has been performed. Revenue from the issuing of spot fines and summonses has been recognised on the accrual basis using estimates of future collections based on the actual results of prior periods. The management of the municipality is satisfied that recognition of the revenue in the current year is appropriate.

28. TAXES

Revenue, expenses and assets are recognised net of the amounts of value added tax. The net amount of Value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

29. AGENCY SERVICES

Council performs a cost-based roads maintenance service on behalf of the Department of Transport, Roads and Public Works of the Northern Cape Province.

Financial reporting on agency services is excluded from these statements as the principal requires reports to be submitted for processing on their independent system.

Inter-authority obligations relevant to the agency service on the reporting date are reflected in the balance sheet.

29. AMENDED DISCLOSURE POLICY

Amendments to accounting policies are reported as and when deemed necessary based on the relevance of any such amendment to the format and presentation of the financial statements. The principal amendments to matters disclosed in the current financial statements include fundamental errors, and the treatment of assets financed by external grants.

FINANCIAL STATEMENTS

30 JUNE 2010

FRANCES BAARD DISTRICT MUNICIPALITY

STATEMENT OF FINANCIAL POSITION FOR THE YEAR ENDED ON 30 JUNE 2010

	Note	2010 R	2009 R
<u>NET ASSETS AND LIABILITIES</u>			
Net Assets		66 248 155	62 660 766
Capital Replacement Reserve		3 652 491	10 943 550
Government Grant Reserve		-	-
Revaluation Reserve		6 013 465	6 396 928
Accumulated Surplus / (Deficit)		56 582 199	45 320 288
Non-current Liabilities		33 074 523	35 046 240
Long-Term Liabilities	1	14 136 733	15 000 000
Employee Benefits	2	18 937 790	20 046 240
Current Liabilities		18 565 463	18 447 006
Current Employee Benefits	3	4 828 161	4 444 568
Trade Payables	4	6 063 088	6 031 552
Unspent Conditional Grants and Receipts	5	6 544 350	7 951 454
Operating Lease Liability	6.1	-	19 432
Current Portion of Long-term Liabilities	1	1 129 864	-
TOTAL: NET ASSETS AND LIABILITIES		117 888 140	116 154 012
<u>ASSETS</u>			
Non-current Assets		45 522 619	38 255 745
Property, Plant and Equipment	7	45 504 866	38 100 023
Non-Current Assets Held for Sale	8	-	150 000
Investment Property	9	-	-
Intangible Assets	10	-	-
Financial Assets	11	17 754	5 722
Long-term Receivables	12	-	-
Current Assets		72 365 521	77 898 268
Taxes	13	2 226 349	2 910 167
Trade Receivables from Exchange Transactions	14	491	1 100
Trade Receivables from Non-Exchange Transactions	15	3 985 873	4 668 430
Operating Lease Asset	6.2	11 954	12 182
Inventory	16	273 545	-
Current Portion of Long-term Receivables	12	-	-
Cash and Cash Equivalents	17	65 867 308	70 306 389
TOTAL: ASSETS		117 888 140	116 154 012

FRANCES BAARD DISTRICT MUNICIPALITY

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED ON 30 JUNE 2010

Budget				Actual	
2010 R	2009 R		Note	2010 R	2009 R
REVENUE					
94 948 470	73 909 513	Revenue from Non-Exchange Transactions		86 413 122	77 243 343
108 400	-	Taxation Revenue		199 915	-
108 400	-	Property Rates - DMA	18	197 853	-
-	-	Property rates - penalties imposed and collection charges		2 061	-
94 840 070	73 909 513	Transfer Revenue		83 345 642	76 836 081
56 927 000	53 321 000	Regional Service Levy Replacement Grant	20.1	56 927 000	53 321 000
37 913 070	20 588 513	Government grants and subsidies	20.2	26 418 642	23 028 179
-	-	Public contributions	20.3	-	486 902
-	-	Other Revenue		2 867 566	407 262
-	-	Fines		-	1 250
-	-	Actuarial Gains		2 867 566	406 012
9 270 540	8 768 000	Revenue from Exchange Transactions		7 050 168	10 439 601
14 000	17 000	Service charges	19	12 550	15 815
36 000	36 000	Rental of facilities and equipment		42 701	45 313
7 780 000	7 780 000	Interest earned - external investments		5 880 677	9 138 607
715 000	715 000	Income for agency services		742 358	781 111
725 540	220 000	Other income	21	371 883	458 755
104 219 010	82 677 513	Total Revenue		93 463 290	87 682 944
EXPENDITURE					
29 394 810	25 363 305	Employee related costs	22	28 276 188	22 679 670
4 344 290	3 949 350	Remuneration of Councilors	23	4 244 467	3 908 311
2 000	-	Bad debts		21 558	648
2 879 720	1 414 115	Depreciation		2 956 846	1 639 363
-	-	Amortisation		-	-
-	-	Actuarial Losses		176 834	5 822
2 264 170	1 516 330	Repairs and maintenance		1 172 759	1 048 212
-	-	Finance Charges - Employee Benefits		2 295 803	2 209 855
1 652 600	869 590	Finance Charges	24	1 119 034	-
18 580	23 000	Bulk purchases	25	10 367	12 946
4 329 430	7 366 610	Contracted services		1 483 581	3 744 542
63 838 570	39 815 465	Grants and subsidies paid	26	41 790 767	39 034 294
7 365 705	7 585 252	General expenses	28	6 544 747	5 739 725
-	-	Changes in Fair Value		-	-
116 089 875	87 903 017	Total Expenditure		90 092 950	80 023 388
(11 870 865)	(5 225 504)	SURPLUS / (DEFICIT) FOR THE YEAR		3 370 341	7 659 556
372 000	-	Gains on disposal of property, plant and equipment		372 000	7 876
-	-	Loss on disposal of property, plant and equipment		(154 952)	(2 106)
(11 498 865)	(5 225 504)	NET SURPLUS / (DEFICIT) FOR THE YEAR		3 587 388	7 665 325

Refer to Appendix D for segmental income statement

FRANCES BAARD DISTRICT MUNICIPALITY

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED ON 30 JUNE 2010

	Capital Replacement Reserve R	Government Grant Reserve R	Revaluation Reserve R	Accumulated surplus (Deficit) R	Total R
2009					
Balance at 1 July 2008	8 953 491	493 093	6 628 150	38 788 884	54 863 618
Change in Accounting Policy - Note 30	-	(493 093)	-	493 093	-
Prior year errors - Note 29	-	-	-	131 823	131 823
Restated balance at 1 July 2008	8 953 491	-	6 628 150	39 413 801	54 995 441
Surplus/(deficit) for the year	-	-	-	7 665 325	7 665 325
Revaluation of Land & Buildings	-	-	-	-	-
Transfer to Capital Replacement Reserve	10 113 200	-	-	(10 113 200)	-
Property, plant and equipment purchased	(8 123 140)	-	-	8 123 140	-
Capital grants used to purchase Property Plant & Equipment	-	-	-	-	-
Donated/contributed Property Plant & Equipment	-	-	-	-	-
Asset disposals	-	-	-	-	-
Offsetting of depreciation	-	-	(231 222)	231 222	-
BALANCE AT 30 JUNE 2009	10 943 550	-	6 396 928	45 320 288	62 660 766
2009					
Correction of error (Note 29)	-	-	-	-	-
Change in accounting policy (Note 30)	-	-	-	-	-
RESTATED BALANCE	10 943 550	-	6 396 928	45 320 287.95	62 660 766
2010					
Surplus/(deficit) for the year	-	-	-	3 587 388	3 587 388
Revaluation of Land & Buildings	-	-	-	-	-
Transfer to Capital Replacement Reserve	2 691 550	-	-	(2 691 550)	-
Property, plant and equipment purchased	(9 982 610)	-	-	9 982 610	-
Capital grants used to purchase Property Plant & Equipment	-	-	-	-	-
Donated/contributed Property Plant & Equipment	-	-	-	-	-
Asset disposals	-	-	(149 920)	149 920	-
Offsetting of depreciation	-	-	(233 543)	233 543	-
BALANCE AT 30 JUNE 2010	3 652 491	-	6 013 465	56 582 199	66 248 155

FRANCES BAARD DISTRICT MUNICIPALITY

CASH FLOW STATEMENT FOR THE YEAR ENDED ON 30 JUNE 2010

	Note	2010 R	2009 R
CASH FLOW FROM OPERATING ACTIVITIES			
Cash receipts from ratepayers, government and other		82 162 790	75 913 528
Cash paid to suppliers and employees		(81 480 624)	(74 530 089)
Cash generated from/(utilised in) operations	31	682 166	1 383 439
Dividends received		-	-
Interest received		5 880 677	9 138 607
Interest paid		(1 119 034)	-
NET CASH FROM OPERATING ACTIVITIES		5 443 809	10 522 046
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(10 366 535)	(23 123 140)
Proceeds on disposal of property, plant and equipment		217 048	5 769
Increase in investment properties		-	-
Increase / (decrease) in non-current receivables		-	-
Increase in non-current investments		-	-
NET CASH FROM INVESTING ACTIVITIES		(10 149 487)	(23 117 371)
CASH FLOWS FROM FINANCING ACTIVITIES			
Borrowings raised / (repaid)		266 597	15 000 000
Increase in consumer deposits		-	-
Increase in unspent grants & subsidies		-	-
Decrease / (increase) in short-term borrowings		-	-
NET CASH FROM FINANCING ACTIVITIES		(4 439 081)	2 404 675
NET DECREASE IN CASH AND CASH EQUIVALENTS		(4 439 081)	2 404 675
Cash and cash equivalents at the beginning of the year		70 306 389	67 901 714
Cash and cash equivalents at the end of the year	17	65 867 308	70 306 389

FRANCES BAARD DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

1 LONG-TERM LIABILITIES

1.1	Local Registered Stock Loans
1.2	Annuity Loans
1.3	Capitalised Lease Liability
1.4	Government Loans
	Sub-total

2010
R

2009
R

-	-
15 000 000	15 000 000
266 597	-
-	-
15 266 597	15 000 000

Less : Current portion transferred to current liabilities

Local Registered Stock Loans
Annuity Loans
Capitalised Lease Liability
Government Loans

1 129 864

-

-	-
1 022 489	-
107 376	-
-	-

Total Long-Term Liabilities

14 136 733

15 000 000

Total Interest Paid

Local Registered Stock Loans
Annuity Loans
Capitalised Lease Liability
Government Loans

-

-

-	-
1 084 027	-
35 007	-
-	-

Total Interest Paid

1 119 034

-

1.1 Registered Stock Loans

No Stock Loans are registered in the name of Frances Baard District Municipality

FRANCES BAARD DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

1.2 Annuity Loans

Balance at the beginning of the year
Received during the period
Redeemed, written off during the period

Balance at the end of the financial year

Less: Transferred to Current Liabilities

Total Annuity Loans

Interest paid during the year

The obligations under annuity loans are scheduled below:

Amounts payable under annuity loans:

Payable within one year
Payable within two to five years
Payable after five years

Less: Future finance obligations

Present value of annuity loan obligations

2010 R	2009 R
15 000 000	-
-	15 000 000
-	-
15 000 000	15 000 000
1 022 489	-
13 977 511	15 000 000
1 084 027	-
Minimum Annuity Loan Payments	
2 718 914	-
12 235 111	-
9 516 198	-
24 470 223	-
(9 470 223)	-
15 000 000	-

FRANCES BAARD DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

2010
R

2009
R

1.2.1

Development Bank of Southern Africa

Construction of new Council Chamber & offices

Loan No. 103363/1

Redeemable: 10 Years

Balance at the beginning of the year

Received during the period

Redeemed, written off during the period

Balance at the end of the financial year

Less: Transferred to Current Liabilities

Total: Development Bank of Southern Africa

Interest paid during the year

A fixed term loan over a period of 10 years was taken up with the Development Bank of Southern Africa to construct a new council Chamber and offices. In terms of the service level agreement, as amended, the loan will be repaid in 18 six -monthly instalments with the first instalment payable on 31 Decdember 2010. Interest payments commenced on 30 June 2009.

15 000 000	-
-	15 000 000
-	-
15 000 000	15 000 000
1 022 489	
13 977 511	15 000 000
1 084 027	-

1.3

Capitalised Lease Liability

Balance at the beginning of the year

Received during the period

Redeemed, written off during the period

Balance at the end of the financial year

Less: Transferred to Current Liabilities

Total: Capitalised Lease Liability

-	-
337 110	-
70 513	-
266 597	-
107 376	
159 221	-

FRANCES BAARD DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

Interest paid during the year

The obligations under Capitalised Lease Liability are scheduled below:

Amounts payable under capitalised lease liability:

Payable within one year

Payable within two to five years

Payable after five years

Less: Future finance obligations

Present value of capitalised lease liability

A financing lease over three years payable in 36 installments was taken up to acquire a photo copier.

	2010 R	2009 R
Interest paid during the year	35 007	-
Minimum Capitalised Lease Liability Payments		
Payable within one year	140 692	-
Payable within two to five years	175 865	-
Payable after five years	-	-
	316 557	-
Less: Future finance obligations	(49 961)	-
Present value of capitalised lease liability	266 597	-

1.4 Government Loans

No Government Loans registered in the name of Frances Baard District Municipality

2 EMPLOYEE BENEFITS

Employment Benefits

Post Employment Health Care Benefits

Ex-Gratia Pension Benefits

Long Service Leave Awards

Less Short Term Portion Transferred to Current Employee Benefits

Total Employee Benefits

Post Employment Health Care Benefits	18 576 826	20 279 882
Ex-Gratia Pension Benefits	782 896	724 910
Long Service Leave Awards	1 013 696	758 174
	20 373 418	21 762 966
Less Short Term Portion Transferred to Current Employee Benefits	(1 435 628)	(1 716 726)
Total Employee Benefits	18 937 790	20 046 240

FRANCES BAARD DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

EMPLOYEE BENEFITS

The municipality has elected to recognise the full increase in this defined benefit liability immediately as per IAS 19, Employee Benefits, paragraph 155 (a).

Post Employment Health Care Benefits

Balance 1 July	20 279 882	19 528 705
Contribution for the year	2 300 948	2 210 147
Expenditure for the year	(1 136 438)	(1 052 958)
Actuarial Loss/(Gain)	(2 867 566)	(406 012)
Total post retirement benefits 30 June	18 576 826	20 279 882
<u>Less:</u> Transfer of Current Portion to Current Employee Benefits - Note 3	(1 203 492)	(1 601 658)
Balance 30 June	17 373 334	18 678 224

Long Service Leave Awards

Balance 1 July	758 174	694 808
Contribution for the year	180 225	160 966
Expenditure for the year	(53 401)	(97 600)
Actuarial Loss/(Gain)	128 698	0
Total provision 30 June	1 013 696	758 174
<u>Less:</u> Transfer of Current Portion to Current Employee Benefits - Note 3	(160 882)	(61 667)
Balance 30 June	852 814	696 507

FRANCES BAARD DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

Ex-Gratia Pensions

	2010 R	2009 R
Balance 1 July	724 910.00	704 784
Contribution for the year	78 708.00	76 714
Expenditure for the year	(68 859.00)	(62 410)
Actuarial Loss/(Gain)	48 137.00	5 822
Total long service 30 June	782 896.00	724 910
Less: Transfer of Current Portion to Current Employee Benefits - Note 3	(71 254.00)	(53 401)
Balance 30 June	711 642.00	671 509

Total Employee Benefits

Balance 1 July	21 762 966	20 928 297
Contribution for the year	2 559 881	2 447 827
Expenditure for the year	(1 258 698)	(1 212 968)
Actuarial Loss/(Gain)	(2 690 731)	(400 190)
Total long service 30 June	20 373 418	21 762 966
Less: Transfer of Current Portion to Current Employee Benefits - Note 3	(1 435 628)	(1 716 726)
Balance 30 June	18 937 790	20 046 240

2.1 Post Retirement Health Care Benefits

The Municipality provides certain post retirement medical benefits by funding the medical aid contributions of certain retired members of the Municipality. According to the rules of the medical aid funds, with which the municipality is associated, a member (who is on the current condition of service), on retirement, is entitled to remain a continuation member of such medical aid fund, in which case the Municipality is liable for a certain portion of the medical aid membership fee.

The Post Employment Health Care Benefit plan is a defined benefit plan, of which the members are made up as follows:

FRANCES BAARD DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010	2010 R	2009 R
In-service (employee) members	66	56
Continuation members (e.g. retirees, widows, orphans)	49	44
Total Members	115	100

The liability in respect of past service has been estimated to be as follows:

In-service members	4 487 770	1 620 064
Continuation members	14 089 056	18 659 818
Total Liability	18 576 826	20 279 882

The municipality makes monthly contributions for health care arrangements to the following medical aid schemes:

Bonitas;
Keyhealth
LA Health
ProSano
SAMWU Medical Aid

The Future-service Cost for the ensuing year is estimated to be R 412,600, whereas the Interest- Cost for the next year is estimated to be R 1,639,200

Key actuarial assumptions used:

i) Rate of interest

Discount rate	9.11%	10.97%
Health Care Cost Inflation Rate	7.19%	9.78%
Net Effective Discount Rate	1.79%	1.08%

ii) Mortality rates

FRANCES BAARD DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

2010
R

2009
R

The PA 90 ult. Mortality table was used by the actuaries.

iii) Normal retirement age

The normal retirement age for employees of the municipality is 60 years.

The amounts recognised in the Statement of Financial Position are as follows:

Present value of fund obligations	18 576 826	20 279 882
Fair value of plan assets	-	-
Unrecognised past service cost -	-	-
Unrecognised actuarial gains / (losses) -	-	-
Present value of unfunded obligations	-	-
Net liability / (asset)	18 576 826	20 279 882

The municipality has elected to recognise the full increase in this defined benefit liability immediately as per IAS 19, Employee Benefits, paragraph 155 (a).

Reconciliation of present value of fund obligation:

Present value of fund obligation at the beginning of the year	20 279 882	19 528 705
Current service cost	164 095	147 873
Interest Cost	2 136 852	2 062 274
Benefits Paid	(1 136 438)	(1 052 958)
Total expenses	21 444 392	20 685 894
Actuarial (gains) / losses	(2 867 566)	(406 012)
Present value of fund obligation at the end of the year	18 576 826	20 279 882

Reconciliation of fair value of plan assets:

Fair value of plan assets at the beginning of the year	-	-
Expected return on plan assets -	-	-
Contributions : employer	-	-
Contributions : employee -	-	-

FRANCES BAARD DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

Past service costs -
Actuarial (gains) / losses -
Benefits paid
Fair value of plan assets at the end of the year

2010	2009
R	R
-	-
-	-
-	-
-	-
-	-

The effect of a 1% movement in the assumed rate of health care cost inflation is as follows:

Effect on the aggregate of the current service cost
Effect on the defined benefit obligation

+1%	-1%
201 000	135 000
2 408 000	1 909 000

2.2 Long Service Bonusses

The Long Service Bonus plans are defined benefit plans. As at year end, 120 employees were eligible for Long Service Bonuses.

The Future-service Cost for the ensuing year is estimated to be R 99,892, whereas the Interest- Cost for the next year is estimated to be R 84,030.

Key actuarial assumptions used:

i) Rate of interest

Discount rate
General Salary Inflation (long-term)
Net Effective Discount Rate applied to salary-related Long Service Bonuses

8.99%	10.97%
6.34%	9.03%
2.49%	1.78%

Analysis of accrued liability

Fair value of plan assets -
Accrued Liability
Unrecognised past service cost -
Present value of unfunded obligations
Net liability / (asset)

-	-
1 013 696	758 174
-	-
-	-
-	-
1 013 696	758 174

FRANCES BAARD DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

Reconciliation of accrued liability values:

Present value of fund obligation at the beginning of the year
 Current service cost
 Present value of fund obligation recognised for the first time
 Interest Cost
 Benefits Paid
 Total expenses
 Actuarial (gains) / losses
 Present value of fund obligation at the end of the year

2010 R	2009 R
758 174	694 808
99 982	90 099
-	-
80 243	70 867
(53 401)	(97 600)
884 998	758 174
128 698	-
1 013 696	758 174

Reconciliation of fair value of plan assets:

Fair value of plan assets at the beginning of the year
 Expected return on plan assets -
 Contributions : employer
 Contributions : employee
 Past service costs
 Actuarial (gains) / losses
 Benefits paid
 Fair value of plan assets at the end of the year

-	-
-	-
-	-
-	-
-	-
-	-
-	-
-	-
-	-

The effect of a 1% movement in the assumed rate of general salary inflation is as follows:

	+1%	-1%
Effect on the aggregate of the current service cost	103 394	96 849
Effect on the defined benefit obligation	96 849	75 845

2.3 Ex-Gratia Pension Benefits

The Ex-Gratia Pension Benefit plans are defined benefit plans. As at year end, 4 former employees were eligible for Ex-Gratia Benefits.

FRANCES BAARD DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

There is no Current-service cost as there are no in-service members eligible for ex-gratia pension benefits, whereas the Interest- Cost for the next year is estimated to be R 63,460

Key actuarial assumptions used:

i) Rate of interest

Discount rate	8.14%	11.34%
Benefit Increase Rate (CPI Inflation)	5.16%	8.98%

Analysis of accrued liability

Fair value of plan assets -	-	-
Accrued Liability	782 897	724 910
Unrecognised past service cost -	-	-
Unrecognised actuarial gains / (losses) -	-	-
Present value of unfunded obligations	-	-
Net liability / (asset)	<u>782 897</u>	<u>724 910</u>

Reconciliation of accrued liability values:

Present value of fund obligation at the beginning of the year	724 910	704 784
Current service cost	-	-
Present value of fund obligation recognised for the first time	-	-
Interest Cost	78 708	76 714
Benefits Paid	(68 858)	(62 410)
Total expenses	<u>734 760</u>	<u>719 088</u>
Actuarial (gains) / losses	48 137	5 822
Present value of fund obligation at the end of the year	<u>782 897</u>	<u>724 910</u>

Reconciliation of fair value of plan assets:

Fair value of plan assets at the beginning of the year	-	-
Expected return on plan assets -	-	-
Contributions : employer	-	-
Contributions : employee	-	-

FRANCES BAARD DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

Past service costs
Actuarial (gains) / losses
Benefits paid
Fair value of plan assets at the end of the year

2010	2009
R	R
-	-
-	-
-	-
-	-
-	-

The effect of a 1% movement in the assumed inflation is as follows:

Effect on the interest cost
Effect on the defined benefit obligation

+1%	-1%
85 625	72 680
860 058	716 398

2.4 Retirement Funds

CAPE JOINT PENSION FUND

This fund comprises a defined benefit section. The Cape Joint Pension Fund is a multi-employer plan and the contribution rate payable is 9%, by the members and 18% by Council. In respect of the defined benefit section the last valuation performed for the year ended 30 June 2006 (30 June 2005) revealed that the fund had an actuarial surplus of R293,01 (R87,2) million with a funding level of 111,4% (103,4%), and is in a sound financial state as at 30 June 2006.

CAPE JOINT RETIREMENT FUND

This fund comprises a defined contribution section. The contribution rate paid by the members (9,0%) and Council (18,0%) is sufficient to fund the benefits accruing from the fund in future. In respect of the defined benefit section the last valuation performed for the year ended 30 June 2006 (30 June 2005) revealed that the fund had an actuarial surplus of R38,58 (R 17.32) million with a funding level of 114% (106.2%) and is in a sound financial position as at 30 June 2006.

FRANCES BAARD DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

2010
R

2009
R

MUNICIPAL COUNCILLORS PENSION FUND

The Municipal Councillors Pension Fund operates as a defined contribution scheme. The contribution rate paid by the members (13,75%) and council (15%) is sufficient to fund the benefits accruing from the fund in the future.

3 CURRENT EMPLOYEE BENEFITS

3.1	Performance Bonusses	414 472	586 791
3.2	Staff Leave	2 212 376	1 532 721
3.3	Staff Bonuses	765 684	608 330
	Current Portion of Non-Current Employee Benefits - Note 2	1 435 628	1 716 726
	Total Provisions	4 828 161	4 444 568
3.1	Performance Bonuses		
	Balance at beginning of year	586 791	-
	Transfer from non-current	-	-
	Contributions to provision - current year provision	484 512	586 791
	Contributions to provision - prior year over provision	-	-
	Expenditure incurred	656 831	-
	Balance at end of year	414 472	586 791
3.2	Staff Leave		
	Balance at beginning of year	1 532 721	1 264 020
	Transfer from non-current	-	-
	Contributions to provision - current year provision	679 655	268 701
	Contributions to provision - prior year over provision	-	-
	Expenditure incurred	-	-
	Balance at end of year	2 212 376	1 532 721

FRANCES BAARD DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

2010
R

2009
R

3.3

Staff Bonuses

Balance at beginning of year

608 330

488 778

Transfer from non-current

-

-

Contributions to provision - current year provision

966 101

1 013 643

Contributions to provision - prior year over provision

-

-

Expenditure incurred

(808 747)

(894 091)

Balance at end of year

765 684

608 330

Annual leave provision is based on the total number of leave days due on 30 June, at individual salary values effective on the reporting date.(Nett movement on leave provision included in employee cost for the financial year under review)

Council does not make provision for leave benefits due to the Roads Agency personnel.

Obligations for accumulated leave at the reporting date amount to:

359 367

241 412

Roads Agency obligations are dealt with as part of the annual operating subsidy provided by the principal. No accumulated obligations are accounted for in the Agency financial reports.

Performance bonusess are paid one year in arrear as the assessment of eligible employees had not taken place at the reporting date and no present obligation exists.

Exemptions taken for provisions according to Directive 4 - Transitional Provisions for Medium and Low Capacity Municipalities - Note 39.5

4 TRADE PAYABLES

Other Creditors

6 063 088

6 031 552

Total creditors at year end

6 063 088

6 031 552

Other Creditors

Payments received in advance

19 444

16 722

Retentions

689 086

696 254

Creditors Control

1 880 343

4 000 606

FRANCES BAARD DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
Sundry Creditors	3 154 487	1 223 451
ABSA Fleet Card	28 948	28 079
Salary Control	23 923	-
Salary Control: - SITE / PAYE	1 438	488
Salary Control: - Union Deduction	297	-
Salary Control:- Workmen's Compensation	264 697	62 078
Salary Control - Debit Order & Other Deductions Control	424	-
Cash Incorrectly Allocated	-	-
Suspense Account	-	3 875
Total: Other Creditors	6 063 088	6 031 552

Payables are being paid within 30 days as prescribed by the MFMA. Payables are being recognised net of any discounts.

5 UNSPENT CONDITIONAL GRANTS AND RECEIPTS

5.1	Conditional Grants from Other Spheres of Government	6 544 350	7 951 454
5.1.1	Equitable Share	-	-
5.1.2	Financial Management Grant	-	-
5.1.3	Municipal Systems Improvement Grant	511 947	1 379 409
5.1.4	DWA - Sanitation (Mvula Trust)	3 275 455	3 524 916
5.1.5	NC Tourism - Contribution Tourism Month	-	-
5.1.6	Department of Transport: Expanded Works Program	-	-
5.1.7	District Aids Council	19 596	38 406
5.1.8	NEAR Control Centre	-	83 938
5.1.9	NCPA - Housing Accreditation Grant	-	269 444
5.1.10	NCPA Firefighting Equipment	239 206	532 778
5.1.11	NCPA - Eradication of Bucket System	-	104 182
5.1.12	MIG - Projects	99 596	-
5.1.13	NCPA - O & M Electricity Grant	-	-
5.1.14	SETA - Skills Grant	-	-

FRANCES BAARD DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

		2010 R	2009 R
5.1.15	NCPA: Vuna Awards	1 500 000	1 500 000
5.1.16	DWA: Backlogs in Water & Sanitation at Clinics and Schools	-	201 424
5.1.17	NCPA: EPWP: Lerato Park	316 959	316 959
5.1.18	NCPA: Environmental Health Recycling Project	581 591	-
5.2.1	Koopmansfontein Electricity Self Build Scheme	-	-

Summary of Movements - External Funds

Balance unspent at beginning of year

Current year receipts

Internal Transfers

Gross Funding

Conditions met – transferred to revenue

Unsent portion paid back to donor

Internal Transfers

Unspent Portion at Year end

7 951 454	12 671 294
81 842 538	72 944 710
-	-
89 793 992	85 616 004
(83 249 642)	(76 744 081)
-	(920 470)
-	-
6 544 350	7 951 454

The following allocations were made to the municipality according to the stipulations of the Division of Revenue Act. Revenue received are recognised as revenue to the extent that the conditions or obligations are met. Conditions still to be met are transferred to liabilities. No allocations were delayed or withheld except for the Vuna Awards which is subject to submitting a businessplan as per guideline requirements.

5.1.1 Equitable Share

Balance unspent at beginning of year

Current year receipts

Gross Funding

Conditions met – transferred to revenue

Unspent Portion at Year end

-	340 254
67 907 018	61 906 806
67 907 018	62 247 060
(67 907 018)	(62 247 060)
-	-

Department of Provincial & Local Government

Objective: To assist municipalities to provide basic infrastructure and services to low income households.

FRANCES BAARD DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

2010
R

2009
R

- 5.1.2 Financial Management Grant**
Balance unspent at beginning of year
Current year receipts
Gross Funding
Conditions met – transferred to revenue
Unspent Portion at Year end

-	-
750 000	500 000
750 000	500 000
(750 000)	(500 000)
-	-

National Treasury

Objective: To finance the reform programme for municipal budgeting and financial management practices

- 5.1.3 Municipal Systems Improvement Grant**
Balance unspent at beginning of year
Current year receipts
Gross Funding
Conditions met – transferred to revenue
Unspent Portion at Year end

1 379 409	2 225 172
1 300 000	735 000
2 679 409	2 960 172
(2 167 462)	(1 580 764)
511 947	1 379 409

Department of Provincial & Local Government

Objective: To assist municipalities to build capacity for the new development system of local government.

- 5.1.4 DWA - Sanitation (Mvula Trust)**
Balance unspent at beginning of year
Current year receipts
Gross Funding
Conditions met – transferred to revenue
Unspent Portion at Year end

3 524 916	3 996 672
1 667 124	2 501 387
5 192 040	6 498 059
(1 916 584)	(2 973 143)
3 275 455	3 524 916

Department of Water Affairs & Forestry

Objective: To provide adequate water and sanitation facilities to farm workers in the rural areas in the district as well as to support operation and maintenance programmes at local municipalities in the district.

- 5.1.5 NC Tourism - Contribution Tourism Month**

FRANCES BAARD DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

2010
R

2009
R

Balance unspent at beginning of year
Current year receipts
Gross Funding
Conditions met – transferred to revenue
Unspent Portion at Year end

-	-
50 000	50 000
50 000	50 000
(50 000)	(50 000)
-	-

Northern Cape Tourism
Objective: Funding of tourism month activities at schools.

5.1.6 Department of Transport: Expanded Works Program

Balance unspent at beginning of year
Current year receipts
Gross Funding
Conditions met – transferred to revenue
Unspent Portion at Year end

-	514 902
-	-
-	514 902
-	(514 902)
-	-

Department of Transport, Roads and Public Works
Objective: To maintain and support job creation opportunities within the district in order to relieve poverty

5.1.7 District Aids Council

Balance unspent at beginning of year
Current year receipts
Gross Funding
Conditions met – transferred to revenue
Unspent Portion at Year end

38 406	42 532
-	-
38 406	42 532
(18 810)	(4 127)
19 596	38 406

Department of Health - Northern Cape Province
Objective: To finance the costs of District Aids Councils in the campaign against AIDS.
Also to provide HIV /AIDS prevention care programs and services in the region.

5.1.8 NEAR Control Centre

Balance unspent at beginning of year

83 938	-
--------	---

FRANCES BAARD DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
Current year receipts	714 000	570 000
Gross Funding	797 938	570 000
Conditions met – transferred to revenue	(797 938)	(486 062)
Unspent Portion at Year end	-	83 938

Department of Housing & Local Government - Northern Cape Province

Objective: To maintain effective functioning of the NEAR control centres and provide additional funds for training NEAR personnel.

5.1.9 NCPA - Housing Accreditation Grant

Balance unspent at beginning of year	269 444	926 002
Current year receipts	1 280 728	734 665
Gross Funding	1 550 172	1 660 668
Conditions met – transferred to revenue	(1 550 172)	(1 391 224)
Unspent Portion at Year end	-	269 444

Department of Housing & Local Government - Northern Cape Province

Objective: To enable the District Municipality to obtain full accreditation to administer national housing programmes in terms of the delegation of functions from Department of Housing and Local Government.

5.1.10 NCPA Firefighting Equipment

Balance unspent at beginning of year	532 778	478 136
Current year receipts	320 000	300 000
Gross Funding	852 778	778 136
Conditions met – transferred to revenue	(613 572)	(245 358)
Unspent Portion at Year end	239 206	532 778

Department of Housing & Local Government - Northern Cape Province

Objective: To enhance municipalities' capacity to deal with fire hazards.

5.1.11 NCPA - Eradication of Bucket System

Balance unspent at beginning of year	104 182	1 480 446
Current year receipts	-	-

FRANCES BAARD DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

Gross Funding

Conditions met – transferred to revenue

Unspent Portion at Year end

Department of Housing & Local Government - Northern Cape Province

Objective: To eliminate the use of bucket sanitation systems in the district by end of September 2008

2010	2009
R	R
104 182	1 480 446
(104 182)	(1 376 264)
-	104 182

5.1.12 MIG - Projects

Balance unspent at beginning of year

Current year receipts

Gross Funding

Conditions met – transferred to revenue

Unsent portion paid back to donor

Unspent Portion at Year end

Department of Provincial & Local Government

Objective: To provide service delivery infrastructure to households in poorer residential areas

-	395 905
7 036 000	2 100 000
7 036 000	2 495 905
(6 936 404)	(1 575 435)
-	(920 470)
99 596	-

Balance of R99 596 is due to a payment of R 700 000 received for the 2010 / 11 financial year and expenditure to the amount of R600 404.

5.1.13 NCPA - O & M Electricity Grant

Balance unspent at beginning of year

Current year receipts

Gross Funding

Conditions met – transferred to revenue

Unspent Portion at Year end

Department of Housing & Local Government - Northern Cape Province

Objective: To improve the operation and maintenance of the Electricity infrastructure in the district

-	28 045
-	-
-	28 045
-	(28 045)
-	-

5.1.14 SETA - Skills Grant

FRANCES BAARD DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

Balance unspent at beginning of year
 Current year receipts
Gross Funding
 Conditions met – transferred to revenue
Unspent Portion at Year end

2010
R

2009
R

-	-
117 667	174 950
117 667	174 950
(117 667)	(174 950)
-	-

Sector Education and Training Authority

Objective: To be used for training and capacity building of employees as per approved Skills Work Plan.

5.1.15 NCPA: Vuna Awards

Balance unspent at beginning of year
 Current year receipts
Gross Funding
 Conditions met – transferred to revenue
Unspent Portion at Year end

1 500 000	1 500 000
-	-
1 500 000	1 500 000
-	-
1 500 000	1 500 000

Department of Housing & Local Government - Northern Cape Province

Objective: To initiate community projects as per approved business plans by the Department of Housing and Local Government.

5.1.16 DWA: Backlogs in Water & Sanitation at Clinics and Schools

Balance unspent at beginning of year
 Current year receipts
Gross Funding
 Conditions met – transferred to revenue
Unspent Portion at Year end

201 424	-
-	2 885 000
201 424	2 885 000
(201 424)	(2 683 576)
-	201 424

FRANCES BAARD DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

2010
R

2009
R

Department of water affairs

Objective: To eradicate water supply and sanitation backlogs of all clinics and schools which were never served by December 2009.

5.1.17 NCPA: EPWP: Lerato Park

Balance unspent at beginning of year

Current year receipts

Gross Funding

Conditions met – transferred to revenue

Unspent Portion at Year end

316 959	743 228
-	-
316 959	743 228
-	(426 269)
316 959	316 959

Department of Trnsport, Roads & Public Works

Clarence and vegetation control of sidewalks for access roads in Lerato Park

5.1.18 NCPA: Environmental Health Recycling Project

Balance unspent at beginning of year

Current year receipts

Gross Funding

Conditions met – transferred to revenue

Unspent Portion at Year end

-	-
700 000	-
700 000	-
(118 409)	-
581 591	-

Department of Environment & Nature Conservation - Northern Cape Province

Frances Baard Recycling projects

5.2 Other Conditional Receipts

5.2.1 Koopmansfontein Electricity Self Build Scheme

Balance unspent at beginning of year

Current year receipts

Gross Funding

Conditions met – transferred to revenue

Unspent Portion at Year end

-	-
-	486 902
-	486 902
-	(486 902)
-	-

FRANCES BAARD DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

2010
R

2009
R

Private contributions: ESKOM & Farmers

Objective: To complete the Koopmansfontein self build scheme with financial contribution from ESKOM and farmers.

6 OPERATING LEASE ARRANGEMENTS

6.1 The Municipality as Lessee

Leases not previously recognised

Balance on 30 June

-	19 432
-	19 432

At the Statement of Financial Position date, where the municipality acts as a lessee under operating leases, it will pay operating lease expenditure as follows:

Up to 1 Year

2 to 5 Years

More than 5 Years

Total Operating Lease Arrangements

-	233 812
-	254 863
-	-
-	488 675

Reconciliation

Balance 1 July

Amount previously recorded

Change in accounting policy - Note 30

Movement during the year

Balance on 30 June

19 432	17 812
-	-
-	-
(19 432)	1 619
-	19 432

6.2 The Municipality as Lessor

Change in accounting policy - Note 30

Balance on 30 June

-	12 182
-	12 182

FRANCES BAARD DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

2010
R

2009
R

At the Statement of Financial Position date, where the municipality acts as a lessor under operating leases, it will receive operating lease income as follows:

Up to 1 Year	14 282	13 224
1 to 5 Years	48 575	62 856
More than 5 Years	-	-
Total Operating Lease Arrangements	62 856	76 080

This lease income was determined from contracts that have a specific conditional income and does not include lease income which has an undetermined conditional income.

Reconciliation

Amount previously recorded (Through change in accounting policy)	12 182	11 430
Change in accounting policy - Note 30	-	-
Movement during the year	(228)	752
Balance on 30 June	11 954	12 182

7 PROPERTY, PLANT & EQUIPMENT

7.1 GRAP 17 - Property, Plant and Equipment

The municipality opted to take advantage of the transitional provisions as contained in Directive 4 of the Accounting Standards Board, issued in February 2008. The municipality did not recognise or measure all the Property, Plant and Equipment in accordance with the standard, including the following:

FRANCES BAARD DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

2010
R

2009
R

Land;

- Property, Plant and Equipment financed by way of finance leases;
- Property, Plant and Equipment financed by way of provisions;
- Property, Plant and Equipment transferred as a result of the transfer of functions; and
- Componentised infrastructure assets.

The municipality is currently in a process of identifying all Property, Plant and Equipment and have it valued in terms of GRAP 17 and it is expected that this process will be completed for inclusion in the 2011 financial statements. The Municipality is in the process of itemizing all infrastructure and community assets and will recalculate accumulated depreciation once this exercise has been completed by 30 June 2011. At present depreciation on these assets is calculated on an averaging basis whereby an average useful life has been estimated for each category of infrastructure and community assets, using global historical costs recorded in the accounting records.

The municipality did not measure the following, in terms of the transitional provisions:

- Review of useful life of item of PPE recognised in the annual financial statements.
- Review of the depreciation method applied to PPE recognised in the annual financial statements.
- Review of residual values of item of PPE recognised in the annual financial statements.
- Impairment of non-cash generating assets.
- Impairment of cash generating assets.

Since the previous reporting date the following Property, Plant and Equipment were measured in accordance with GRAP 17 and restated retrospectively:

Land;

- Refuse tip-sites financed by way of a provision;
- Changes to accumulated depreciation as a result of the componentising of infrastructure assets
- Total not previously recognised now restated retrospectively

-	-
-	-
-	-
<u>-</u>	<u>-</u>
<u>-</u>	<u>-</u>

Fully Depreciated assets still in use were as follows:

FRANCES BAARD DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
Cost	3 402 869	2 732 327
Land and Buildings	-	-
Infrastructure	-	-
Community Assets	-	-
Lease Assets	-	-
Heritage	-	-
Other	3 402 869	2 732 327
Accumulated depreciation	3 402 869	2 732 327
Land and Buildings	-	-
Infrastructure	-	-
Community Assets	-	-
Lease Assets	-	-
Heritage	-	-
Other	3 402 869	2 732 327
Carrying value	-	-
Carrying value of assets retired from active use and held for disposal:		
Cost	50 025	150 000
Land and Buildings	-	-
Infrastructure	-	-
Community Assets	-	-
Lease Assets	-	-
Heritage	-	-
Other	50 025	150 000
Accumulated depreciation	50 025	-
Land and Buildings	-	-
Infrastructure	-	-
Community Assets	-	-
Lease Assets	-	-
Heritage	-	-
Other	50 025	-
Carrying value	-	150 000

FRANCES BAARD DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

O THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010		2010	2009
		R	R
Carrying value of temporarily idle property plant and equipment:			
Cost		-	-
Land and Buildings		-	-
Infrastructure		-	-
Community Assets		-	-
Lease Assets		-	-
Heritage		-	-
Other		-	-
Accumulated depreciation		-	-
Land and Buildings		-	-
Infrastructure		-	-
Community Assets		-	-
Lease Assets		-	-
Heritage		-	-
Other		-	-
Carrying value		-	-
Assets pledged as security:			
No assets are pedged as security.			
Third party payments received for losses incurred:			
Payments received (Excluding VAT)		6 253	-
Carrying value of assets written off/lost		4 951	-
Surplus/Deficit		1 302	-

Impairment of property plant and equipment

Impairment charges on Property, plant and equipment recognised in statement of financial performance

FRANCES BAARD DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
Land and Buildings	-	-
Infrastructure	-	-
Community Assets	-	-
Lease Assets	-	-
Heritage	-	-
Other	-	-
	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>
Cumulative impairment charges included in major balances		
Land and Buildings	-	-
Infrastructure	-	-
Community Assets	-	-
Lease Assets	-	-
Heritage	-	-
Other	-	-
	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>
Effect of changes in accounting estimates		
No changes in accounting estimates occurred.		
	2010	2011
	R	R
Effect on Property, plant and equipment	<u></u>	<u></u>

Details of property plant and equipment carried at fair value

The revaluation of council's land and buildings was done during the 2006 / 07 financial year by De Bruyn & Strauss Incorporated on the method of estimated building cost less depreciation with the effective date 01 February 2007.

Carrying value of revalued property, plant and equipment that would have been recognised under the cost model if the cost model was applied:

FRANCES BAARD DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

Cost

Land & Buildings

Accumulated Depreciation

Reconciliation of revaluation surplus:

Opening balance

Movement for the period

Closing balance

2010

R

34 336 861

3 600 540

37 937 401

6 396 928

(383 463)

6 013 465

2009

R

28 981 443

3 061 924

32 043 367

6 628 150

(231 222)

6 396 928

FRANCES BAARD DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

7.2 30 June 2010

Reconciliation of Carrying Value of Property Plant & Equipment

Carrying Values at 1 July 2009

Total Assets at the beginning of the year

Cost
Capital Under Construction
Revaluation

Accumulated Depreciation

- Cost
- Revaluation

Current year contributions

Acquisitions
Capital Under Construction
Increase / Decrease in Revaluation

Depreciation

- Cost
- Revaluation

Carrying Value of Disposals

- Cost / Revaluation
- Accumulated Depreciation

Other Movements

Impairment Losses
Transfer from Assets Held for Sale: Previous Year
Transfer to Non Current Assets Held For Sale Depreciation) (Note 8)
Transfer to Non Current Assets Held For Sale (Note 8)

Carrying Values at 30 June 2010

Total Assets at the end of the year

Cost
Capital Under Construction
Revaluation

Accumulated Depreciation

- Cost
- Revaluation

Other Assets	Community Assets	Heritage Assets	Total
37 181 935	326 205	591 898	38 100 038
46 603 683	473 504	591 898	47 669 084
15 552 361	473 504	-	16 025 865
23 382 854	-	591 898	23 974 751
7 668 468	-	-	7 668 468
(9 421 748)	(147 299)	-	(9 569 046)
(8 150 208)	(147 299)	-	(8 297 506)
(1 271 540)	-	-	(1 271 540)
10 116 441	214 565	35 529	10 366 535
9 841 703	16 988	35 529	9 894 219
274 738	197 577	-	472 315
-	-	-	-
(2 845 503)	(111 252)	-	(2 956 755)
(2 611 960)	(111 252)	-	(2 723 212)
(233 543)	-	-	(233 543)
(154 952)	-	-	(154 952)
(364 607)	-	-	(364 607)
209 654	-	-	209 654
49 949	-	-	99 975
-	-	-	-
150 000	-	-	150 000
(50 025)	-	-	(50 025)
(50 025)	-	-	(50 025)
44 447 920	429 519	627 426	45 504 866
56 455 491	688 069	627 426	57 770 987
48 662 205	490 492	627 426	49 780 123
274 738	197 577	-	472 315
7 518 548	-	-	7 518 548
(12 007 571)	(258 550)	-	(12 266 121)
(10 502 488)	(258 550)	-	(10 761 038)
(1 505 083)	-	-	(1 505 083)

FRANCES BAARD DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

7.3 30 June 2009

Reconciliation of Carrying Value of Property Plant & Equipment

Carrying Values at 1 July 2008

Total Assets at the beginning of the year

Cost
Capital Under Construction
Revaluation

Accumulated Depreciation

- Cost
- Revaluation

Current year contributions

Acquisitions
Capital Under Construction
Increase / Decrease in Revaluation

Depreciation

- Cost
- Revaluation

Carrying Value of Disposals

- Cost / Revaluation
- Accumulated Depreciation

Other Movements

Impairment Losses
Other Movements

Carrying Values at 30 June 2009

Total Assets at the end of the year

- Cost
- Capital Under Construction
- Revaluation

Accumulated Depreciation

- Cost
- Revaluation

Other Assets	Community Assets	Heritage Assets	Total
16 629 748	162 168	-	12 602 259
24 504 449	225 610	-	20 540 402
12 646 323	225 610	-	12 871 934
4 189 657	-	-	-
7 668 469	-	-	7 668 469
(7 874 701)	(63 442)	-	(7 938 143)
(6 834 382)	(63 442)	-	(6 897 824)
(1 040 319)	-	-	(1 040 319)
22 283 349	247 894	591 898	23 123 140
3 090 167	247 894	-	3 338 061
19 193 182	-	591 898	19 785 080
-	-	-	-
(1 573 375)	(83 856)	-	(1 657 232)
(1 342 154)	(83 856)	-	(1 426 010)
(231 222)	-	-	(231 222)
(7 802)	-	-	(7 802)
(34 130)	-	-	(34 130)
26 327	-	-	26 327
(150 000)	-	-	(150 000)
-	-	-	-
(150 000)	-	-	(150 000)
37 181 934	326 205	591 898	38 100 037
46 603 683	473 504	591 898	47 669 084
15 552 361	473 504	-	16 025 865
23 382 854	-	591 898	23 974 751
7 668 468	-	-	7 668 468
(9 421 748)	(147 299)	-	(9 569 047)
(8 150 208)	(147 299)	-	(8 297 507)
(1 271 540)	-	-	(1 271 540)

FRANCES BAARD DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

(Appendix B & C in respect of property, plant and equipment have reference)

7.4 Analysis of Property, Plant and Equipment

30 June 2010	Cost / Revaluation						Accumulated Depreciation					Carrying Value	Budget Additions 2010
	Balance at 01/07/2009	* Correction of asset categories	Additions	Under Construction	Disposals	Balance at 30/06/2010	Balance at 01/07/2009	* Correction of asset categories	Additions	Disposals	Balance at 30/06/2010		
COMMUNITY ASSETS													
Land & Buildings	106 676		-	45 000		151 676	10 677		3 567		14 244	137 432	
Security Measures	366 828		16 988	152 577		536 393	136 621		107 685		244 306	292 087	
Total: Community Assets	473 504	-	16 988	197 577	-	688 069	147 299	-	111 252	-	258 550	429 519	-
HERITAGE ASSETS													
Statues	591 898		35 529			627 426.84	-				-	627 427	35 530
Total: Heritage Assets	591 898	-	35 529	-	-	627 427	-	-	-	-	-	627 427	35 530
OTHER ASSETS													
Land & Buildings	36 649 912	-	5 256 111	249 308	150 000	42 005 330	4 102 243		1 003 380		5 105 623	36 899 707	6 965 680
Office Equipment	497 336	249 448	2 276 665	25 430	6 754	3 042 125	347 376	164 517	425 842	1802.22	935 932	2 106 192	115 300
Furniture & Fittings	1 285 634	35 905	912 280			2 233 819	209 585	32 052	191 709		433 345	1 800 474	301 340
Plant & Machinery	1 978 606	(224 010)	24 790			1 779 387	289 189	(135 328)	151 998		305 858	1 473 529	222 010
Emergency Equipment	454 055	-	75 567			529 622	332 279		60 375		392 654	136 968	
Motor Vehicle	2 522 437	(1)	678 680		207 853	2 993 263	1 932 641	91	359 924	207 852	2 084 804	908 459	680 000
Land Fill Sites	3 200	-	-			3 200	-		107		107	3 093	
Computer Equipment	3 362 503	(61 341)	617 610			3 918 771	2 208 345	(61 331)	652 260		2 799 274	1 119 497	782 690
Total: Other Assets	46 753 682	-	9 841 703	274 738	364 607	56 505 516	9 421 657	-	2 845 594	209 654	12 057 597	44 447 920	9 067 020
Less transferred to Non - Current Assets Held for Sale	(150 000)					(50 025)	-				(50 025)	-	
TOTAL ASSETS	47 669 084	-	9 894 219	472 315	364 607	57 770 987	9 568 956	-	2 956 846	209 654	12 266 121	45 504 866	9 102 550

* Frances Baard implemented a new financial and asset management system on 1 July 2009. As part of the implementation of the new system, all assets were individually categorised. Some differences between the different categories were found and corrected.

FRANCES BAARD DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

Analysis of Property, Plant and Equipment

30 June 2009	Cost / Revaluation						Accumulated Depreciation					Carrying Value	Budget Additions 2009
	Balance at 01/07/2008	* Correction of asset categories	Additions	Under Construction	Disposals	Balance at 30/06/2009	Balance at 01/07/2008	* Correction of asset categories	Additions	Disposals	Balance at 30/06/2009		
COMMUNITY ASSETS													
Land & Buildings	106 676		-	-	-	106 676	7 121	-	3 556	-	10 677	95 999	30 000
Security Measures	118 934		247 894	-	-	366 828	56 321	-	80 300	-	136 621	230 207	255 000
Total: Community Assets	225 610		247 894	-	-	473 504	63 442	-	83 856	-	147 299	326 205	285 000
HERITAGE ASSETS													
Statues	-		-	591 898	-	591 898	-	-	-	-	-	591 898	600 000
Total: Heritage Assets	-		-	591 898	-	591 898	-		-	-	-	591 898	600 000
OTHER ASSETS													
Land & Buildings	13 267 163		3 110	23 379 639	-	36 649 912	3 740 141	-	362 101	-	4 102 243	32 547 669	24 700 000
Office Equipment	457 899		42 126	-	2 690	497 336	283 129	-	65 395	1 148	347 376	149 960	11 380
Furniture & Fittings	614 299		671 336	-	-	1 285 634	153 243	-	56 342	-	209 585	1 076 050	1 066 000
Plant & Machinery	452 276		1 526 330	-	-	1 978 606	163 750	-	132 751	7 311	289 189	1 689 417	1 692 520
Emergency Equipment	443 179		10 875	-	-	454 054	258 775	-	73 503	-	332 279	121 776	20 000
Motor Vehicle	2 522 436		-	-	-	2 522 437	1 572 570	-	360 072	-	1 932 642	589 795	-
Land Fill Sites				3 200		3 200		-				3 200	-
Computer Equipment	2 557 539		836 390	-	31 440	3 362 489	1 703 091	-	523 122	17 868	2 208 345	1 154 144	914 505
Total: Other Assets	20 314 791		3 090 167	23 382 839	34 130	46 753 669	7 874 699		1 573 286	26 327	9 421 658	37 332 011	28 404 405
Less transferred to Non - Current Assets Held for Sale						(150 000)						(150 000)	
TOTAL ASSETS	20 540 402		3 338 061	23 974 737	34 130	47 669 070	7 938 141		1 657 143	26 327	9 568 956	38 100 114	29 289 405

FRANCES BAARD DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010 Segmental Analysis of Property, Plant and Equipment

30 June 2010	Cost					ACCUMULATED DEPRECIATION				Carrying Value
	Balance at 01/07/2009	Additions	Under Construction	Disposals / Adjustments	Balance at 30/06/2010	Balance at 01/07/2009	Additions	Disposals / Adjustments	Balance at 30/06/2010	
Executive and Council	1 774 100	118 006		139 850 *	2 025 203	273 806	344 109	317 844	933 956	1 091 247
Finance & Admin	19 270 698	1 353 906		6 753.51	6 686 040	8 264 589	913 317	1 802.22	4 598 272	2 087 768
Planning & Development	25 483 958	8 073 103	319 738	(13 730 710) *	47 919 143	380 727	1 560 207	(4 371 782)	6 249 404	41 669 739
Health	271 711	12 419		207 853	253 677	107 054	43 781	207 852	153 967	99 710
Community & Social Services	10 995			14 192 344 *	-	3 533		4 308 470	-	0
Housing	26 594	306 815.59		(30 453) *	357 226	10 195	39 536	3 132	59 648	297 577
Public Safety	981 028	29 970	152 577.48	(10 995) *	579 724	529 053	55 896	(3 533)	320 900	258 825
Sport & Recreation	-	-	-	23 816 *	-	-	-	9 918	-	-
Environmental Protection	-	-	-	(583 851) *	-	-	-	(264 050)	-	-
Waste Management	-	-	-	-	-	-	-	-	-	-
Road Transport	-	-	-	-	-	-	-	-	-	-
Water	-	-	-	-	-	-	-	-	-	-
Electricity	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
TOTAL PER VOTE	47 819 084	9 894 219	472 315	- *	57 821 012	9 568 956	2 956 846	- *	12 316 147	45 504 865
Less transferred to Non- Current Assets Held for Sale	-150 000				-50 025				-50 025	-
Total Assets	47 669 084	9 894 219	472 315	364 607	57 770 987	9 568 956	2 956 846	209 654	12 266 122	45 504 865
* Internal Transfers										

FRANCES BAARD DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

Segmental Analysis of Property, Plant and Equipment

30 June 2009	Cost					ACCUMULATED DEPRECIATION				Carrying Value
	Balance at 01/07/2008	Additions	Under Construction	Disposals / Adjustments	Balance at 30/06/2009	Balance at 01/07/2008	Additions	Disposals / Adjustments	Balance at 30/06/2009	
Executive and Council	373 280	739 993	591 898	68 929 *	1 774 100	137 061	91 696	45 049	273 806	1 500 294
Finance & Admin	18 752 280	706 688	-	(156 831) *	19 270 698	7 170 249	1 222 528	(119 638)	8 264 681	11 006 017
Planning & Development	525 329	1 531 751	23 379 639	49 915 *	25 483 943	195 104	111 408	8 459	380 727	25 103 217
Health	192 753	12 864	3 200	2 690	271 711	69 934	44 731	74 215	107 054	164 657
Community & Social Services	15 232	4 225	-	62 894 *	10 995	8 498	2 529	10 257	3 533	7 463
Housing	50 410	-	-	(8 462) *	26 594	6 741	7 534	(7 495)	10 195	16 400
Public Safety	631 118	342 539	-	(23 815) *	981 028	350 554	176 807	(4 081)	529 053	451 975
Sport & Recreation	-	-	-	7 371 *	-	-	-	1 692	-	-
Environmental Protection	-	-	-	-	-	-	-	-	-	-
Waste Management	-	-	-	-	-	-	-	-	-	-
Road Transport	-	-	-	-	-	-	-	-	-	-
Water	-	-	-	-	-	-	-	-	-	-
Electricity	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
TOTAL PER VOTE	20 540 402	3 338 061	23 974 737	- *	47 819 070	7 938 141	1 657 234	- *	9 569 048	38 250 022
Less transferred to Non- Current Assets Held for Sale					-150 000					(150 000)
Total Assets	20 540 402	3 338 061	23 974 737	34 130	47 669 070	7 938 141	1 657 234	26 327	9 569 048	38 100 022

FRANCES BAARD DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

8 NON-CURRENT ASSETS HELD FOR SALE

Non-current assets held for sale at beginning of year - at book value
 Additions for the year at cost
 Less: Accumulate Depreciation

Non-current assets sold / written off during the year
 Non-current assets held for sale at end of year - at book value

Exemptions taken according to Directive 4 - Transitional Provisions for Medium and Low Capacity Municipalities - Note 45.5

2010
R

2009
R

150 000	-
50 025	150 000
(50 025)	
150 000	150 000
(150 000)	
-	150 000

9 INVESTMENT PROPERTY

Net Carrying amount at 1 July

Balance previously reported
 Correction of error. Refer to note

Fair Value Adjustments
 Acquisitions
 Disposals
 Impairment
 Transfers from Inventory
 Transfers from Property, Plant and equipment

Net Carrying amount at 30 June

-	-
-	-
-	-
-	-
-	-
-	-
-	-
-	-
-	-

Exemptions taken according to Directive 4 - Transitional Provisions for Medium and Low Capacity Municipalities. Refer to Note 45.5

FRANCES BAARD DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

2010
R

2009
R

GRAP 16 - Investment Properties

The municipality opted to take advantage of the transitional provisions as contained in Directive 4 of the Accounting Standards Board, issued in February 2008.

The municipality is currently in a process of identifying all Investment Properties and have it valued in terms of GRAP 16 and it is expected that this process will be completed for inclusion in the 2010 financial statements

Since the previous reporting date the following Investment Properties were measured at fair value in accordance with GRAP 16 and restated retrospectively:

Land with undetermined use;

-

-

Land;

-

-

Buildings; and

-

-

Land and Buildings.

-

-

Total not previously recognised now restated retrospectively

-

-

Revenue derived from the rental of investment property

-

-

Operating expenditure incurred on properties generating revenue

-

-

There are no restrictions on the realisability of Investment Property or the remittance of revenue and proceeds of disposal.

There are no contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements.

FRANCES BAARD DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

2010
R

2009
R

10 INTANGIBLE ASSETS

Net Carrying amount at 1 July

Change in Accounting Policy - Transfer from Property, Plant and Equipment

Cost

Accumulated Amortisation

Acquisitions

Amortisation

Disposals

Amortisation written back on disposal

Net Carrying amount at 30 June 2010

Cost

Accumulated Amortisation

-	-
-	-
-	-
-	-
-	-
-	-
-	-
-	-
-	-
-	-
-	-
-	-

Exemptions taken according to Directive 4 - Transitional Provisions for Medium and Low Capacity Municipalities - Note 45.5

No intangible asset were assed having an indefinite useful life.

There are no intangible assets whose title is restricted.

There are no intangible assets pledged as security for liabilities.

There are no contractual contractual commitments for the acquisition of intangible assets.

FRANCES BAARD DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
11 INVESTMENTS		
Unlisted		
Preference shares currently trading at R1.80 - Held at Fair Value Through Profit and Loss	6 179	3 433
Preference shares currently trading at R2.34 each - Held at Fair Value Through Profit and Loss	5 356	2 289
TOTAL UNLISTED INVESTMENTS	11 536	5 722
<i>Shares held in the agricultural co-operative society, acquired through purchase of operational materials. Although Council trades with GWK and receives a discount on its trading account, Council does not have any proprietary interest in the cooperative society.</i>		
Listed		
Sanlam shares currently trading at R22.86 - Held at fair value through profit & loss	6 218	-
TOTAL LISTED INVESTMENTS	6 218	-
TOTAL INVESTMENTS	17 754	5 722
12 LONG-TERM RECEIVABLES		
No Long Term Debt at Reporting Date	-	-
No Long Term Debt at Reporting Date	-	-
Long Term Portion of Long Term Debt	-	-
Short Term Portion of Long Term Debt	-	-
Long Term Debt at Reporting Date	-	-
13 TAXES		
VAT Receivable	2 226 349	2 910 167
<i>VAT is payable on the receipts basis. Only once payment is received from debtors is VAT paid over to SARS. All VAT returns have been submitted by the due date throughout the year.</i>		

FRANCES BAARD DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

14 TRADE RECEIVABLES FROM EXCHANGE TRANSACTIONS

As at 30 June 2010

Water

TOTAL TRADE RECEIVABLES FROM EXCHANGE TRANSACTIONS

As at 30 June 2009

Water

TOTAL TRADE RECEIVABLES FROM EXCHANGE TRANSACTIONS

Water Ageing

Current (0 – 30 days)

31 – 60 Days

61 – 90 Days

91 – 120 Days

Summary of Debtors by Customer Classification

30 June 2010

Current (0 – 30 days)

31 – 60 Days

61 – 90 Days

91 – 120 Days

Sub-total

Less: Provision for bad debts

TOTAL CONSUMER DEBTORS

	2010 R	2009 R
Gross Balance	Provision for Bad Debt	Net Balance
491	-	491
491	-	491
1 753	654	1 100
1 753	654	1 100
	331	172
	12	572
	22	106
	126	903
Consumers	Industrial / Commercial	National & Provincial Government
331	-	-
12	-	-
22	-	-
126	-	-
491	-	-
-	-	-
491	-	-

FRANCES BAARD DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

Summary of Debtors by Customer Classification

30 June 2009

Current (0 – 30 days)

31 – 60 Days

61 – 90 Days

91 – 120 Days

Sub-total

Less: Provision for bad debts

TOTAL CONSUMER DEBTORS

Reconciliation of the Total doubtful debt provision

Balance at beginning of the year

Contributions to provision

Doubtful debts written off against provision

Balance at end of year

	2010 R	2009 R
Consumers	Industrial / Commercial	National & Provincial Government
172	-	-
572	-	-
106	-	-
903	-	-
1 753	-	-
654	-	-
1 100	-	-
	654	720
	(654)	(67)
	-	-
	-	654
	3 985 873	4 668 431
15.1 Sundry Debtors - Other	3 429 011	4 221 397
Property Rates	109 828	-
15.2 Recoverable Expenditure - Fraudulent Transactions	447 034	447 034

FRANCES BAARD DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

		2010 R	2009 R
15.1	Sundry Debtors - Other		
	Sundry Services	2 271 827	2 104 837
	- Advanced - payments: Debtors Control Account	-	16 285
	Payments Made in Advance	454 559	74 970
	Recoverable Expenditure	-	21 000
	Interest on investment	243 827	455 329
	NCPA Roads Agency Services - Loan Account	457 150	1 548 975
	Interest	1 649	-
	Under And Over Banking	0	-
	Total Other Debtors	3 429 011	4 221 397
	Less: Provision for Bad Debt	-	-
	Total Other Debtors	3 429 011	4 221 397

The fair value of trade and other receivables approximate their carrying value.

15.2	Recoverable Expenditure - Fraudulent Transactions		
	Recoverable unauthorised expenditure	447 034	901 033
	Less: Amounts recovered	-	(453 999)
	Less: Written off by Council Resolution	-	-
	Total Recoverable Expenditure - Fraudulent Transactions	447 034	447 034

Fraudulent transactions to the total value of R1,978,497-72 have been discovered in August 2006 after a proper investigation was completed by SHAG Forensics (Pty).

The outstanding amount of R447 034 will be recovered from the pensionfund of the officer involved as soon as all the tax regulations are met.

15.3	Property Rates		
15.3.1	Property Rates: Ageing		
	Current (0 – 30 days)	13 288	-
	31 – 60 Days	27 770	-
	61 – 90 Days	8 778	-
	91 – 120 Days	59 991	-

FRANCES BAARD DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

2010
R

2009
R

15.3.2 Summary of Debtors by Property Rates Classification

30 June 2010

Current (0 – 30 days)
31 – 60 Days
61 – 90 Days
91 – 120 and more

Residential	Government	Business	Agricultural
-	173	845	12 270
-	90	6 637	21 043
-	96	52	8 630
-	819	348	58 824
-	1 178	7 882	100 767
-	-	-	-
-	1 178	7 882	100 767

Sub-total

Less: Provision for bad debts

TOTAL PROPERTY RATES DEBTORS

30 June 2009

Current (0 – 30 days)
31 – 60 Days
61 – 90 Days
91 – 120 and more

Residential	Government	Business	Agricultural
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-

Sub-total

Less: Provision for bad debts

TOTAL PROPERTY RATES DEBTORS

15.4 Reconciliation of the Total doubtful debt provision

Balance at beginning of the year
Contributions to provision
Doubtful debts written off against provision

-	-
-	-
-	-
-	-

Balance at end of year

FRANCES BAARD DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
16 INVENTORY	273 545	-
Consumable Stores - Stationery and materials - At cost	273 545	-
Maintenance Materials - At cost	-	-
Water – at cost	-	-
Spare Parts - At cost	-	-
Total Inventory	273 545	-
Consumable stores materials written down due to losses as identified during the annual stores counts.	-	-
Consumable stores materials surplusses identified during the annual stores counts.	-	-
Inventory recognised as an expense during the year	-	-
Exemptions taken according to Directive 4 - Transitional Provisions for Medium and Low Capacity Municipalities. Refer to Note		
Since the previous reporting date the following inventories were measured in accordance with GRAP 12 and restated retrospectively:		
Water	-	-
Land held for sale	-	-
Other (list).	-	-
	-	-
17 CASH AND CASH EQUIVALENTS		
<u>Assets</u>		
17.1 Call Investment Deposits	65 300 000	70 100 000
17.2 Primary Bank Account	564 008	203 089
17.3 Cash	3 300	3 300
Total Cash and Cash Equivalents - Assets	65 867 308	70 306 389

FRANCES BAARD DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

- 17.1 **Call Investment Deposits**
Short Term Investments
 Absa Bank
 First Rand
 Nedcor
 Standard Bank
Term Deposits
 Absa Bank [Collateral]
 Standard Bank [Leave Provision]

2010	2009
R	R
65 300 000	70 100 000
62 500 000	68 000 000
33 000 000	15 000 000
-	10 500 000
24 500 000	27 500 000
5 000 000	15 000 000
2 800 000	2 100 000
500 000	500 000
2 300 000	1 600 000

Council provide collateral security for housing loans issued by commercial banks in favour of certain of Council's personnel. This security is provided by a block investment of R500,000 ceded to ABSA against which the bank issues letters of guarantee to the home loan financing institutions. There are no current obligation registered against the investment.

Trading and available-for-sale investments are subsequently carried at fair value. Average interest rate on investments in respect of the financial year under review reflects on 6.95%.

The Municipality has the following bank accounts: -

- 17.2 **Current Account (Primary Bank Account)**
 ABSA Bank Kimberley (Central Business District)
 Account Number 940 000 327
 Cash book balance at end of year

564 008	203 089
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- 17.3 **Petty Cash & Floats**

3 300	3 300
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FRANCES BAARD DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

2010
R

2009
R

18 PROPERTY RATES

18.1 Actual

18.1.1	Residential	1 842	-
18.1.2	Agriculture	177 489	-
18.1.3	Commercial	7 803	-
18.1.4	Government	1 359	-
18.1.5	Industrial	9 360	-
Total Assesment Rates		197 853	-
18.1.1	Residential property		
	Number of Properties valued at < R15 000	34	-
	Number of properties valued at > R15 000	1	-
	Number of Properties	35	-
	Total valuation of properties	2 148 400	-
	Less: Valuation of properties exempted from paying rates	87 000	-
	Less: Rebate on properties valued more than R15 000	15 000	-
	Value of ratable prperties	2 046 400	-
	Tariff imposed on residential properties	0.003600	-
	Revenue for residential properties	7 367	-
	Less: Rebate percentage	75%	-
	Rebtae	5 525	-
	Revenue	1 842	-
18.1.2	Agriculture		
	Number of Properties valued at < R15 000	73	-
	Number of properties valued at > R15 000	568	-
	Number of Properties	641	-
	Total valuation of properties	797 386 100	-
	Less: Valuation of properties exempted from paying rates	196 000	-
	Less: Rebate on properties valued more than R15 000	8 520 000	-
	Value of ratable prperties	788 670 100	-

FRANCES BAARD DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
Tariff imposed on agriculture properties	0.000900	
Revenue for residential properties	709 803	-
Less: Rebate percentage	75%	-
Rebtae	532 314	-
Revenue	177 489	-
18.1.3 Commercial		
Number of Properties valued at < R15 000	-	-
Number of properties valued at > R15 000	4	-
Number of Properties	4	-
Total valuation of properties	13 534 900	-
Less: Valuation of properties exempted from paying rates	-	-
Less: Rebate on properties valued more than R15 000	60 000	-
Value of ratable prperties	13 474 900	-
Tariff imposed on commercial properties	0.000900	
Revenue for residential properties	12 127	-
Less: Rebate percentage	75%	-
Rebtae	9 509	-
Revenue	2 619	-
Commercial		
Number of Properties valued at < R15 000	-	-
Number of properties valued at > R15 000	4	-
Number of Properties	4	-
Total valuation of properties	5 820 500	-
Less: Valuation of properties exempted from paying rates	-	-
Less: Rebate on properties valued more than R15 000	60 000	-
Value of ratable prperties	5 760 500	-
Tariff imposed on commercial properties	0.003600	
Revenue for residential properties	20 738	-
Less: Rebate percentage	75%	-
Rebtae	15 553	-
Revenue	5 184	-

FRANCES BAARD DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
18.1.4 Government		
Number of Properties valued at < R15 000	-	-
Number of properties valued at > R15 000	1	-
Number of Properties	1	-
Total valuation of properties	4 424 900	-
Less: Valuation of properties exempted from paying rates	-	-
Less: Rebate on properties valued more than R15 000	15 000	-
Value of ratable prperties	4 409 900	-
Tariff imposed on government properties	0.000900	
Revenue for residential properties	3 969	-
Less: Rebate percentage	75%	-
Rebtae	2 610	-
Revenue	1 359	-
18.1.5 Industrial		
Number of Properties valued at < R15 000	-	-
Number of properties valued at > R15 000	1	-
Number of Properties	1	-
Total valuation of properties	10 415 300	-
Less: Valuation of properties exempted from paying rates	-	-
Less: Rebate on properties valued more than R15 000	15 000	-
Value of ratable prperties	10 400 300	-
Tariff imposed on industrial properties	0.003600	
Revenue for residential properties	37 441	-
Less: Rebate percentage	75%	-
Rebtae	28 081	-
Revenue	9 360	-
Summary of Property Rates		
Total Number of Properties valued at < R15 000	107	-
Total Number of properties valued at > R15 000	579	-
Total Number of Properties	686	-

FRANCES BAARD DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

2010
R

2009
R

Total valuation of properties	833 730 100	-
Less: Valuation of properties exempted from paying rates	283 000	-
Less: Rebate on properties valued more than R15 000	8 685 000	-
Value of ratable properties	824 762 100	-

Property rates were introduced in the District Management Area for the first time from July 2009 in terms of the Municipal Property Rates Act (No 6 of 2004) .
The levies for property rates will be phased in over a four year period that implies a rebate of 75% in 2009 / 10, 50% in 2010 / 2011, 25% in 2011 / 2012.

The tariff applicable for 2009 / 10 is 25 % of R0.0009 (R0.000225)

The first R 15 000.00 of all properties are exempted from payment of property rates.

19 SERVICE CHARGES

Sale of water	12 550	15 815
Total Service Charges	12 550	15 815

20 TRANSFER REVENUE

20.1 Regional Service Levy Replacement Grant

Regional Service Levy Replacement Grant	56 927 000	53 321 000
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20.2 Government Grants & Subsidies

Equitable Share	10 980 018	8 926 060
Financial Management Grant	750 000	500 000
Municipal Systems Improvement Grant	2 167 462	1 580 764
DWA - Sanitation (Mvula Trust)	1 916 584	2 973 143
NC Tourism - Contribution Tourism Month	50 000	50 000
Department of Transport: Expanded Works Program	-	941 171
District Aids Council	18 810	4 127
NEAR Control Centre	797 938	486 062
NCPA - Housing Accreditation Grant	1 550 172	1 391 224
NCPA Firefighting Equipment	613 572	245 358
NCPA - Recycling projects	118 409	-
NCPA - Eradication of Bucket System	104 182	1 376 264

FRANCES BAARD DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
MIG - Projects	6 936 404	1 575 435
NCPA - O & M Electricity Grant	-	28 045
SETA - Skills Grant	117 667	174 950
Environmental Health	96 000	92 000
DWA: Backlogs in Water & Sanitation at Clinics and Schools	201 424	2 683 576
20.3 Public Contributions	-	486 902
Koopmansfontein self build scheme	-	486 902
Nedbank special projects	-	-
Total Transfer Revenue	83 345 642	76 836 081
<i>The unspent portions of the conditional grants are treated as current liabilities and disclosed per Note 5 above.</i>		
<i>Only the actual expenditure amounts are transferred to the relevant operating statement to cover the expenditure incurred in terms of the grant conditions.</i>		
21 OTHER INCOME		
Commission: Insurance Payments	7 306	6 561
Salary allocation to Roads Agency (30%) - Director Technical Services	236 750	212 657
Cost Recovery - Private usage of Pool Vehicles (IEC)	661	18 844
Adjustment of Bad Debts	654	-
Cemetery Fees	100	200
Private telephone calls / photo copies	267	53 854
Administration cost - DPI recovery	-	25 166
Recoverable cost - Salaries	53 924	2 940
Post Service Medical Aid	-	5 387
Sundry Debtors	-	28 199
Grader Operating Cost Recovered	-	92 820
Koopmansfontein Electricity	-	10 816
Sanlam Shares	6 218	-
Increase in fair value Suid Wes Koop	5 814	-
Dividends Received	283	953
Other	59 906	358
Total Other Income	371 883	458 755

FRANCES BAARD DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

22 EMPLOYEE RELATED COSTS

Employee related costs – Salaries and Wages
Employee related costs – Contributions for UIF, pensions and medical aids
Motor car and other allowances
Housing benefits and allowances
Compulsory cost:- Skills Levy; Workmens Compensation; Industrial Council Contributions
Decrease in Provision for Post Retirement Health Benefits
Decrease in Provision for Long Service Awards
Decrease in Provision for Ex-Gratia Pension Payments
Group Insurance
Performance bonus

Total Employee Related Costs

Social contributions:

Council makes defined contributions to several pension funds in the following proportions:

Cape Joint Pension Fund
Cape Joint Retirement Fund
SAMWU National Pension Fund
Pension Fund for Municipal Councillors

Remuneration of the Municipal Manager

Annual Remuneration (Total cost to Employer)
Performance Bonuses

Total

Actual performance bonuses includes payments for the 2007 / 08 and 2008 / 09 respectively.

Remuneration of the Chief Finance Officer

Annual Remuneration (Total cost to Employer)
Performance Bonuses

Total

2010
R

2009
R

20 757 404	15 762 105
3 924 398	4 218 273
1 881 156	2 138 708
535 618	416 491
525 499	398 193
-	(7 501)
-	(905 085)
-	(62 410)
167 600	134 104
484 512	586 791

28 276 188

22 679 670

Employer %	Employee %
18,00	9,00
18,00	9,00
18,00	9,00
15,00	13,75

941 206	845 420
184 876	-

1 126 082

845 420

775 526	662 314
131 424	-

906 950

662 314

FRANCES BAARD DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

Remuneration of Executive Director: Administration

Annual Remuneration (Total cost to Employer)

Performance Bonuses (Average cost)

Total

Actual performance bonuses includes payments for the 2007 / 08 and 2008 / 09 respectively.

Remuneration of Executive Director: Infrastructure Services

Annual Remuneration (Total cost to Employer)

Performance Bonuses (Average cost)

Total

Actual performance bonuses includes payments for the 2007 / 08 and 2008 / 09 respectively.

Remuneration of Executive Director: Planning & Development

Annual Remuneration (Total cost to Employer)

Performance Bonuses (Average cost)

Total

23 REMUNERATION OF COUNCILLORS

Executive Mayor

Speaker

Mayoral Committee Members

Councillors

Councillors' pension contribution

Other Obligatory Contributions (Skills Levy, etc.)

Total Councillors' Remuneration

In-kind Benefits

	2010 R	2009 R
Annual Remuneration (Total cost to Employer)	798 168	699 356
Performance Bonuses (Average cost)	120 645	-
Total	918 813	699 356
Actual performance bonuses includes payments for the 2007 / 08 and 2008 / 09 respectively.		
Annual Remuneration (Total cost to Employer)	798 168	692 333
Performance Bonuses (Average cost)	127 734	-
Total	925 902	692 333
Actual performance bonuses includes payments for the 2007 / 08 and 2008 / 09 respectively.		
Annual Remuneration (Total cost to Employer)	798 168	717 605
Performance Bonuses (Average cost)	92 151	-
Total	890 319	717 605
Executive Mayor	576 275	538 575
Speaker	288 143	269 290
Mayoral Committee Members	1 746 817	1 632 759
Councillors	1 474 006	1 311 320
Councillors' pension contribution	99 245	108 200
Other Obligatory Contributions (Skills Levy, etc.)	59 981	48 167
Total Councillors' Remuneration	4 244 467	3 908 311
In-kind Benefits		

FRANCES BAARD DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

2010
R

2009
R

The Executive Mayor and Speaker are full time.

Each is provided with a cell phone, office and secretarial support at cost of council. (Cell phone benefit does not exceed the limits as determined by the Remuneration of Public Office Bearers Act)

The Executive Mayor makes use of a Council owned vehicle for ceremonial duties.

24 FINANCE CHARGES

External Loans	1 084 027	-
Finance Leases	35 007	-
Bank Overdrafts	-	-
Total Interest on External Borrowings	1 119 034	-

Interest on external loan to the amount of R380 091 was capitalised in terms of GRAP 17 to the project for the building of Council Chambers & Offices.

25 BULK PURCHASES

Water	10 367	12 946
Total Bulk Purchases	10 367	12 946

26 GRANTS AND SUBSIDIES PAID TO OTHER MUNICIPALITIES

26.1 Dikgatlong Municipality

	8 356 414	7 712 665
Streets & Storm Water	1 317 065	795 982
Sanitation	-	1 940 199
Water	5 175 589	1 032 737
Development of erven	-	224 000
Electricity	-	1 914 836
Maintenance Projects	1 863 760	1 804 912

26.2 Magareng Municipality

	2 328 241	6 422 354
Water	321 232	1 674 781
Sanitation	-	700 000
Streets & Storm Water	-	2 192 456
Development of erven	-	678 086
Electricity	-	28 045
Maintenance Projects	2 007 009	1 148 986

FRANCES BAARD DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

		2010 R	2009 R
26.3	Phokwane Municipality	7 036 369	3 761 761
	Sanitation	4 860 056	2 233 371
	Development of erven	-	-
	Other Infrastructure Projects	175 874	-
	Maintenance Projects	2 000 439	1 528 390
26.4	Sol Plaatje Municipality	5 011 525	4 049 366
	Sanitation	-	1 115 683
	Water	3 498 492	1 202 953
	Streets & Storm water	-	198 554
	Other Infrastructure Projects	-	-
	Maintenance Projects	1 513 033	1 532 176
26.5	District Management Areas	2 872 752	4 293 638
	Cemeteries	99 750	1 920
	Other Infrastructure Projects	124 290	513 979
	Housing	472 664	-
	Water	43 912	290 159
	Sanitation	210 713	3 174 009
	Streets & Storm water	1 923	-
	Fencing	999 749	-
	Maintenance Projects	919 751	313 571
	Summary of infrastructure grants paid to other municipalities	25 605 302	26 239 784
	Dikgatlong Municipality	8 356 414	7 712 665
	Magareng Municipality	2 328 241	6 422 354
	Phokwane Municipality	7 036 369	3 761 761
	Sol Plaatje Municipality	5 011 525	4 049 366
	District Management Areas	2 872 752	4 293 638

Council makes allocations to participating bodies within its area of jurisdiction. Such allocations are primarily for infrastructure development and are treated as grants in kind. Assets with regard to property, plant and equipment funded becomes the property of the participating body who controls the asset.

FRANCES BAARD DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

		2010 R	2009 R
27	OTHER GRANTS PAID & SPECIAL PROJECTS		
27.1	Grants paid to other organs of state	135 000	132 366
	Northern Cape Tourism Authority	135 000	132 366
27.2	Other special projects	16 050 465	12 662 144
	Council - Special Projects in the Office of the Mayor and Speaker	930 995	996 883
	Municipal Manager - Support to Magareng	3 311 363	945 298
	Communications - Communication Projects	629 111	244 596
	Implementation of New Financial System	5 201 757	5 391 801
	FMG Development	496 219	32 000
	Employee assistance program	24 799	35 146
	Tourism Projects	1 521 144	664 947
	IDP Development	16 972	22 892
	Municipal Systems Improvement Projects	2 167 462	1 580 764
	Local Economic Development	714 281	1 543 675
	Environmental Health Projects	240 882	183 630
	Community Development	50 269	465 208
	Disaster Management	736 737	547 716
	Housing Awareness	8 475	7 590
	Summary of Grants and Subsidies Paid		
	Grants and subsidies paid to other municipalities (Note 26)	25 605 302	26 239 784
	Grants paid to other organs of state (Note 27)	135 000	132 366
	Other special projects (Note 27)	16 050 465	12 662 144
	Total Grants and Subsidies	41 790 767	39 034 294
28	GENERAL EXPENDITURE		
	Accommodation	585 790	824 441
	Audit Fees	1 028 497	-
	Bank Charges	53 387	52 539
	Books, Printing & Stationery	374 729	361 487
	Cellphones	28 825	91 278
	Cleaning Materials	27 871	29 126
	Conferences and Seminars	160 831	515 011

FRANCES BAARD DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

Council meets the People
 Councillor Training
 Entertainment / Refreshments
 Environmental health expenditure
 Free Basic Services
 Gardens Maintenance
 General Expenses
 General Notices
 Gifts
 Insurance
 Motor vehicle operating cost
 Motor Vehicle Usage
 Municipal Services & Taxes
 Office Requirements
 Pauper Burials
 Postage
 Protective Clothing
 Relocation Costs
 Rental of Buildings & Equipment
 SALGA Membership Fees
 Security Services
 Study Bursaries
 Training
 Telephone / Data Lines
 Transportation
 Dumping Sites

Total: General Expenditure

2010	2009
R	R
109 671	140 536
-	123 451
186 302	143 281
-	99 373
10 962	13 831
-	10 776
129 525	80 476
441 080	652 114
2 879	6 539
190 986	345 920
414 755	409 769
(14 875)	(7 460)
279 566	477 316
49 299	108 287
11 200	8 000
9 977	6 157
8 472	7 991
56 068	49 195
379 229	-
202 939	126 815
172 889	138 157
58 631	68 346
589 738	
386 064	348 725
593 669	508 245
15 789	-
6 544 747	5 739 725

FRANCES BAARD DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

		2010 R	2009 R
29	CORRECTION OF ERROR		
29.1	During the year ended on 30 June 2008, a grant received from the Department of Roads and Public Works were erroneously recognised as roads subsidy.		
	The comparative amount has been restated as follows		
	Correction of outstanding debtors (Agency Loan Account)	-	727 572
	Correction of unspent grants and subsidies	-	743 228
	Effect on surplus / (deficit) for the year	<u>-</u>	<u>(15 656)</u>
	Refer to Note 5.1.24		
29.2	The Presidency financed the NSDP Alignment Project for Intergovernmental Cooperation. The expenditure accrued during the 2008 financial year but the funds was received in the 2009 financial year.		
	The comparative amount has been restated as follows		
	Correction of conditional grants received	-	94 848
	Effect on surplus / (deficit) for the year	<u>-</u>	<u>94 848</u>
29.3	Registration fees was paid at 30 June 2008 for training of staff. The service has not been rendered at 30 June 2009.		
	The comparative amount has been restated as follows		
	Correction of debtors	-	52 632
	Effect on surplus / (deficit) for the year	<u>-</u>	<u>52 632</u>
	Net effect of Correction of Errors on the surplus / deficit for the year	<u>-</u>	<u>131 823</u>
30	CHANGE IN ACCOUNTING POLICY		
	No adjustments were made to amounts previously reported in the annual financial statements of the Municipality arising from the implementation of GRAP:		

FRANCES BAARD DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
31 CASH GENERATED BY OPERATIONS		
Surplus for the year	3 587 388	7 665 325
Adjustment for:-		
Depreciation	2 956 846	1 639 363
Gain on disposal of property, plant and equipment	(372 000)	(7 876)
Contribution to provisions – non-current		(974 996)
Contribution to provisions – current	304 333	-
Contribution to bad debt provision	-	(13 559)
Investment income	(5 880 677)	(9 138 607)
Other non-cash activities	(19 552)	303 196
Interest paid	1 119 034	-
Operating surplus before working capital changes:	1 695 372	(527 153)
(Increase) / Decrease in Inventories	(273 545)	-
(Increase) / Decrease in Receivables	609	(780)
(Increase) / Decrease in Other Receivables	682 557	8 045
(Decrease) / Increase in Conditional Grants and Receipts	(1 407 104)	(4 719 839)
(Decrease) / Increase in Payables	31 535	4 456 452
(Decrease) / Increase in Provisions	(724 858)	1 809 713
Increase in VAT	683 818	357 001
Cash generated by operations	688 385	1 383 439
32 CASH AND CASH EQUIVALENTS		
Cash and cash equivalents included in the cash flow statement comprise the following:		
Call Investments Deposits - Note 17.1	65 300 000	70 100 000
Cash Floats - Note 17.3	3 300	3 300
Bank - Note 17.2	564 008	203 089
Total cash and cash equivalents	65 867 308	70 306 389

FRANCES BAARD DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

33 RECONCILIATION OF AVAILABLE CASH AND INVESTMENT RESOURCES

Cash and Cash Equivalents - Note 32

Less:

Unspent Committed Conditional Grants - Note 5
Secured Investments

Net cash resources available for internal distribution

Allocated to:

Capital Replacement Reserve
Employee Benefits
Social Contribution Reserve
Non-Current Provisions Reserve
Valuation Roll Reserve

Resources available for working capital requirements

34 UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION

Long-term Liabilities - Note 1

Used to finance property, plant and equipment - at cost

Cash set aside for the repayment of long-term liabilities

Cash invested for repayment of long-term liabilities

2010 R	2009 R
65 867 308	70 306 389
65 867 308	70 306 389
6 544 350	7 951 454
6 544 350	7 951 454
-	-
59 322 958	62 354 935
3 652 491	10 943 550
18 937 790	20 046 240
-	-
-	-
-	-
36 732 677	31 365 145
14 136 733	15 000 000
(14 136 733)	(15 000 000)
-	-
-	-
-	-
-	-

FRANCES BAARD DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act. The Annuity Loans carry interest of between 9.21 % and 17.82 % and will be repaid by 2028

35 BUDGET COMPARISONS

35.1 OPERATIONAL

30 June 2010

	Actual R	Budget R	Variance R	Variance %	Explanation of Significant variances greater than 10 % versus Budget
Revenue by source					
Property Rates - DMA	197 853	108 400	89 453	83%	Under budget
Property rates - penalties imposed and collection charges	2 061	-	2 061	100%	Deviation not significant
Regional Service Levy Replacement Grant	56 927 000	56 927 000	0	0%	Deviation not significant
Government grants and subsidies	26 418 642	37 913 070	(11 494 428)	-30%	R 2, 512,000.00 was bugeted for Expanded Works Program that was not paid out. R6 122 000 rolled over to 2010 / 11
Actuarial Gains	2 867 566	-	2 867 566	100%	Phase in of personnel benefits according to GRAP standards
Service charges	12 550	14 000	(1 450)	-10%	Deviation not significant
Rental of facilities and equipment	42 701	36 000	6 701	19%	Under Budget
Interest earned - external investments	5 880 677	7 780 000	(1 899 323)	-24%	Decrease in interest rates to lower levels than expected
Income for agency services	742 358	715 000	27 358	4%	Deviation not significant
Other income	371 883	725 540	(353 657)	-49%	Over Budget
Gains on disposal of property, plant and equipment	372 000	372 000	0	0%	Deviation not significant
Total Revenue	93 835 290	104 591 010	(10 755 720)	-11%	
Expenditure by nature					
Employee related costs	28 276 188	29 394 810	(1 118 622)	-4%	
Remuneration of Councilors	4 244 467	4 344 290	(99 823)	-2%	
Bad debts	21 558	2 000	19 558	978%	Amount Insignificant and unforeseen circumstance:
Depreciation	2 956 846	2 879 720	77 126	3%	Deviation not significant
Actuarial Losses	176 834	-	176 834	100%	Phase in of personnel benefits according to GRAP standards
Repairs and maintenance	1 172 759	2 264 170	(1 091 411)	-48%	Actual expenditure less than expected due to proper mantanance of assets. Roll over of R185 000 by technical services
Finance Charges - Employee Benefits	2 295 803	-	2 295 803	100%	Phase in of personnel benefits according to GRAP standards
Finance Charges	1 119 034	1 652 600	(533 566)	-32%	Building of Council Chambers completed later than expected. R550 972 interest capitalised
Bulk purchases	10 367	18 580	(8 213)	-44%	Amount not significant
Contracted services	1 483 581	4 329 430	(2 845 849)	-66%	Reduction in Legal Fees and over budget for service
Grants and subsidies paid	41 790 767	63 838 570	(22 047 803)	-35%	EWP expenditure of R2,5m did not realise. Special projects of 6,5m rolled over. Project for water & sanitation at schools withdrawn.
General expenses	6 544 747	7 365 705	(820 958)	-11%	Deviation not significant
Loss on disposal of Property, Plant & Equipment	154 952	-	154 952	100%	Under Budget
Total Expenditure	90 247 902	116 089 875	(23 805 634)	-26%	
Expenditure by vote					
Executive and Council	17 576 669	20 416 085	(2 839 416)	-14%	Expenditure on Special Projects and Legal Fees less than expected
Finance & Admin	27 296 512	27 301 820	(5 308)	0%	Deviation not significant
Planning & Development	38 429 553	59 930 814	(21 501 261)	-36%	Under spending on LED projects, roll overs on allocations to category B municipalities and projects withdrawn
Health	2 203 681	2 367 810	(164 129)	-7%	Deviation not significant
Community & Social Services	399 477	522 780	(123 303)	-24%	Position of Community Development Officer vacant resulted in slow expenditure
Housing	1 875 153	1 925 780	(50 627)	-3%	Expenditure limited to revenue received
Public Safety	2 435 139	3 543 156	(1 108 017)	-31%	Under spending due to vacancies and underspending of emergency funds
Water	22 836	44 870	(22 034)	-49%	Amount not significant
Electricity	8 741	12 780	(4 039)	-32%	Amount not significant
Refuse removal	142	12 470	(12 328)	-99%	Service not implemented
Sanitation Services	-	11 510	(11 510)	-100%	Service not implemented
Total Expenditure	90 247 902	116 089 875	-25 841 973	-22%	

FRANCES BAARD DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

30 June 2009

	Actual R	Budget R	Variance R	Variance %	Explanation of Significant variances greater than 10 % versus Budget
Revenue by source					
Transfer Revenue	76 836 081	73 909 515	2 926 566	4%	Amount not significant
Actuarial Gains	406 012		406 012	100%	The amount resulted with implementation of provision for long term employee benefits
Service charges	15 815	17 000	(1 185)	-7%	Deviation not significant
Rental of facilities and equipment	45 313	36 000	9 313	21%	Under budgeted
Interest earned - external investments	9 138 607	7 780 000	1 358 607	15%	Under budgeted
Income for agency services	781 111	715 000	66 111	8%	Deviation not significant
Other income	460 005	220 000	240 005	52%	Under budgeted
Gains on disposal of property, plant and equipment	7 876	-	7 876	100%	Amount not significant
Total Revenue	87 690 820	82 677 515	5 013 305	5.7%	
Expenditure by nature					
Executive and Council	16 158 118	18 334 320	(2 176 202)	-13%	Deviation in the areas of consultancy, councilor training, legal services, incentive bonus and operationa expenditure budgeted for the establishment of the youth unit.
Finance & Admin	20 111 658	22 126 925	(2 015 267)	-10%	Deviation in the areas of consultancy and filling of posts according to the organogram.
Planning & Development	38 315 337	41 778 262	(3 462 925)	-9%	Deviation not significant
Health	1 415 317	1 657 670	(242 353)	-17%	Deviation as a result of vacant posts not filled accordingly.
Community & Social Services	749 402	881 750	(132 348)	-18%	Deviation as a result of special projects not fully implemented.
Housing	1 394 000	1 858 990	(464 990)	-33%	Expenditure of the housing unit is limited to the actual revenue received year-to-date
Public Safety	1 843 984	2 155 815	(311 831)	-17%	Deviation in the areas of consultancy and filling of posts according to the organogram.
Water	28 989	51 715	(22 726)	-78%	Variances based on actual expenditure trends are due to general expenses not utilised
Electricity	8 690	13 200	(4 510)	-52%	Variances based on actual expenditure trends are due to general expenses not utilised
Total Expenditure	80 025 495	88 858 647	(8 833 152)	-11%	

FRANCES BAARD DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

35.2 CAPITAL

30 June 2010

	Actual R	Budget R	Variance R	Variance %	Explanation of Significant variances greater than 10 % versus budget
COMMUNITY ASSETS					
Land & Buildings	45 000		45 000.00	0%	As approved by council
Security Measures	169 565	-	169 565	100%	Budgeted under other assets and additional approvals by council
Total: Community Assets	214 565	-	214565	100%	
HERITAGE ASSETS					
Statues	35 529	35 530	(1)	0%	Deviation not significant
	35 529	35 530	(1)	0%	
OTHER ASSETS					
Land & Buildings	5 505 419	6 965 680	(1 460 261)	-21%	Expenditure as approved by council and wrong classification in budget
Office Equipment	2 302 095	115 300	2 186 795	1897%	Wrong classification in budget and expenditure as per council resolution
Furniture & Fittings	912 280	301 340	610 940	203%	Wrong classification in budget and expenditure as per council resolution
Plant & Machinery	24 790	222 010	(197 220)	-89%	Wrong classification in budget
Emergency Equipment	75 567	-	75 567	100%	Expenditure under community asset
Motor Vehicle	678 680	680 000	(1 320)	0%	Deviation not significant
Land Fill Sites	-	-	-	0%	Deviation not significant
Computer Equipment	617 610	782 690	(165 080)	-21%	Over budget for IT Equipment. Acquisitions not realised due to vacancies
Total Other Assets	10 116 441	9 067 020	1 049 421	10%	
TOTAL ASSETS	10 366 535	9 102 550	1263986	12%	

FRANCES BAARD DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

30 June 2009

	Actual R	Budget R	Variance R	Variance %	Explanation of Significant variances greater than 10 % versus budget
COMMUNITY ASSETS					
Land & Buildings	-	30 000	-30 000.00	-100.00%	Cemetery at Olierivier not established
Security Measures	247 894	255 000	(7 106)	-2.87%	Deviation not significant
Total: Community Assets	247 894	285 000	(37 106)	100.00%	
HERITAGE ASSETS					
Statues	591 898	600 000	(8 102)	-1.37%	Amount not significant
	591 898	600 000	(8 102)	-1.37%	
OTHER ASSETS					
Land & Buildings	19 193 092	24 700 000	(5 506 908)	-28.69%	Uncompleted portion rolled to next financial year.
Office Equipment	42 126	11 380	30 746	72.99%	Amount previously budgeted under office equipment transferred to furniture & fitting
Furniture & Fittings	671 336	1 066 000	(394 664)	-58.79%	Acquisition of equipment for new council chambers rolled over to next financial year
Plant & Machinery	1 526 330	1 692 520	(166 190)	-10.89%	Deviation not significant
Emergency Equipment	10 875	20 000	(9 125)	-83.91%	Amount not significant
Motor Vehicle	-	-	-	-	
Land Fill Sites	3 200	-	3 200	100.00%	As approved by Council
Computer Equipment	836 390	914 505	(78 115)	-9.34%	Deviation not significant
Total Other Assets	22 283 349	28 404 405	(6 121 056)	-27.47%	
TOTAL ASSETS	23 123 140	29 289 405	(6 158 162)	-26.63%	

FRANCES BAARD DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

2010
R

2009
R

36 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED

36.1 Unauthorised expenditure

Reconciliation of unauthorised expenditure

Opening balance

Unauthorised expenditure current year

Recovered amounts

Approved by Council or condoned

Transfer to receivables for recovery (Note 8.2)

Unauthorised expenditure awaiting authorisation

447 035
10 116
-
(10 116)
-

901 033
-
(453 999)
-
-

447 035

447 035

*The Accountant Expenditure involved was found guilty in terms of an internal disciplinary hearing and dismissed on 6 December 2006.
The outstanding amount of R447 035 will be recovered from the pension fund as soon as all income tax requirements are met.*

36.2 Fruitless and wasteful expenditure

Reconciliation of fruitless and wasteful expenditure

Opening balance

Fruitless and wasteful expenditure current year

Condoned or written off by Council

Recovered

To be recovered – contingent asset

Fruitless and wasteful expenditure awaiting condonement

-
26 716
(22 750)
-
-

1 113
7 384
(4 342)
(4 156)
-

3 966

-

36.3 Irregular expenditure

Reconciliation of irregular expenditure

Opening balance

Unauthorised expenditure current year

Approved by Council or condoned

Transfer to receivables for recovery

Irregular expenditure awaiting authorisation

-
208 315
(208 315)
-

-
-
-
-

-

-

FRANCES BAARD DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
36.4 <u>Material Losses</u>		
Electricity distribution losses		
Units purchased (Kwh)	-	-
- Units lost during distribution (Kwh)	-	-
- Percentage lost during distribution	-	-
Water distribution losses		
- Mega liters purified	-	-
- Mega liters lost during distribution	-	-
- Percentage lost during distribution	-	-
37 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT		
37.1 Contributions to organized local government		
Opening balance	-	-
Council subscriptions	202 939	126 815
Amount paid – current year	(202 939)	(126 815)
Amount paid – previous years	-	-
Balance unpaid (included in creditors)	<u>-</u>	<u>-</u>
37.2 Audit fees		
Opening balance	-	-
Current year audit fee	1 028 497	580 721
Amount paid – current year	(1 028 497)	(580 721)
Amount paid – previous years	-	-
Balance unpaid (included in creditors)	<u>-</u>	<u>-</u>
37.3 PAYE and UIF		
Opening balance	(488)	-
Current year payroll deductions	5 166 870	4 050 722
Amount paid – current year	(5 165 433)	(4 051 209)
Amount paid – previous years	488	-
Balance unpaid (included in creditors)	<u>1 438</u>	<u>(488)</u>

FRANCES BAARD DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
37.4 Pension and Medical Aid Deductions		
Opening balance	-	(17)
Current year payroll deductions and Council Contributions	7 204 730	6 432 595
Amount paid – current year	(7 204 730)	(6 432 562)
Amount paid – previous years	-	(17)
Balance unpaid (included in creditors)	-	-

37.5 Non-Compliance with Chapter 11 of the Municipal Finance Management Act

Supply Chain Management Policy has been amended and adopted by Council with an effective date of 1st January 2008 for implementation..

The following deviations were allowed in terms of the Supply Chain Policy for the year under review.

Supplier	Service	Amount
2010		
Business Connection	E Venus Server	537 353
Opton Geomatics	GPS for GIS project	45 600
Bed Shop	Displaced persons at Dikgatlong Municipality	16 150
Etarnalcity	Displaced persons at Dikgatlong Municipality	710
Valudata	Valuation Roll for Magareng Municipality 2009 - 2010	124 283
Business Connection	ICT investigation & evaluation project	47 880
Mubesco Africa	Preparation of action plans - operation clean audit	207 138
Arch Actaial Consulting CC	Actuarial services for FBDM	34 428
Blasting Quality	Provision of blasting services for Koopmansfontein graves	113 715
Tourism Blueprint CC	Re-design & printing of 15000 FBDM travel guides	107 274
Trolley Scan (PTY) LTD	Notebook Management System	157 548
Total		1 392 079

FRANCES BAARD DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

2010
R

2009
R

2009

Anton Momberg	Statue	565 733
PAC Pumps	Repair of two windmill & pipes	114 764
Icentrics PSS	Blue Print Management system licences	191 221
Icentrics PSS	Procurement of a management programme	240 221
Donavon Johnson	Hiring of PA System	15 000
Softline VIP	VIP Report	11 068
Softline VIP	Employee self service	14 442
Japson Hardware	Building Material	10 918
Katz Roof & Bricks	Building Material	17 271
Molatsi Outdoor Advertising	Advertisement	20 000
Swift Print	Printing of external news paper	18 419
Mojalefa Trading	Security cameras	58 223
Zolezema Trading	Voter education	115 000
SBH Development	Voter education	186 000
FCSA Organisation Service	Training	21 603
Biztech Trading	Training	28 220
FCSA Organisation Service	Training	43 120
Tatichain Technologies	Asset software	186 525
SA Water Supplies	Asset software	220 615
Total		<u>2 078 361</u>

37.6 Non-Compliance - Section 125(2) (e) of the Municipal Finance Management Act

No matters to report

38 CAPITAL COMMITMENTS

Commitments in respect of capital expenditure

Approved and contracted for

Other Assets

Community

Heritage

-	6 248 000
-	6 195 000
-	-
-	53 000

FRANCES BAARD DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
Approved and not yet contracted for	2 987 600	-
Other Assets	2 987 600	-
Community	-	-
Heritage	-	-
The expenditure will be financed from		
External Borrowings	-	-
Internal Funding (Own Resources)	2 987 600	6 248 000
	<u>2 987 600</u>	<u>6 248 000</u>

39 CONTINGENT LIABILITIES

39.1 Implementation of Task

According to the Office Bearers Act, a district municipality will be rated at the highest level at which the local municipalities in its DMA are rated. FBDM is therefore rated at Grade 4. However, with the implementation of Task by SALGA, the municipality has been rated at Grade 2. A dispute has been declared, the outcome of which is still pending. The implication of the regrading is:

*Should the appeal be succesful, i.e. a higher grading, a salary increase is envisaged.
Should the appeal not succeed, the status quo remains.*

39.2 Additional Building Cost

Contractors for the building of the Council Chamber, have indicated that there are additional costs that may be claimed from Council.

40 FINANCIAL RISK MANAGEMENT

The activities of the District Municipality exposed it to a variety of financial risks, including market risk (comprising currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The District Municipality's risks are:

40.1 **Foreign Exchange Currency Risk:**

The District Municipality does not engage in foreign currency transactions.

40.2 **Price Risk**

The municipality is not exposed to price risk.

FRANCES BAARD DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

2010
R

2009
R

40.3 Interest Rate Risk:

As the municipality has significant interest-bearing liabilities, the entity's income and operating cash flows are substantially dependent on changes in market interest rates.

The municipality analyses its potential exposure to interest rate changes on a continuous basis. Different scenarios are simulated which include refinancing, renewal of current positions,

The municipality did not hedge against any interest rate risks during the current year.

The potential impact on the entity's surplus/deficit for the year due to changes in interest rates were as follow:

<i>0.5% (2009 - 0.5%) Increase in interest rates</i>	253 076
<i>0.5% (2009 - 0.5%) Decrease in interest rates</i>	(253 076)

40.3 Credit Risk:

Credit risk is the risk that a counter party to a financial or non-financial asset will fail to discharge an obligation and cause the municipality to incur a financial loss.

Credit risk consist mainly of cash deposits, cash equivalents, trade and other receivables and unpaid conditional grants and subsidies.

Trade and other debtors are disclosed net after provisions are made for impairment and bad debts. Trade debtors comprise of a large number of ratepayers, dispersed across different sectors and

All rates and services are payable within 30 days from invoice date. Refer to note for all balances outstanding longer than 30 days. These balances represent all debtors at year end which defaulted on their credit terms. Also refer to note for balances included in receivables that were re-negotiated for the period under review.

No trade and other receivables are pledged as security for financial liabilities.

The provision for bad debts could be allocated between the different classes of debtors as follows:

	2010 %	2010 R	2009 %	2009 R
Water	-	-	100%	654
Rates	-	-	-	-
	-	-	100%	654

The entity only deposits cash with major banks with high quality credit standing. No cash and cash equivalents were pledged as security for financial liabilities and no restrictions were placed on

FRANCES BAARD DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

2010
R

2009
R

The risk pertaining to unpaid conditional grants and subsidies are considered to be very low. Amounts are receivable from national and provincial government and there are no expectation of

Long-term Receivables and Other Debtors are individually evaluated annually at Balance Sheet date for impairment or discounting. A report on the various categories of debtors is drafted to

Financial assets exposed to credit risk at year end are as follows:

Investments	17 754	5 722
Borrowings	15 266 597	15 000 000
Current Portion of Borrowings	1 129 864	-
Long Term Receivables	-	-
Trade receivables from exchange transactions	491	1 100
Other receivables from non-exchange transactions	3 985 873	4 668 430
Current Portion of Long-term Receivables	-	-
Short-term Investment Deposits	65 300 000	70 100 000
Bank and Cash Balances	567 308	206 389
Maximum Credit and Interest Risk Exposures	86 267 887	89 981 641

40.4 Liquidity Risk:

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the

The entity's risk to liquidity is a result of the funds available to cover future commitments. The entity manages liquidity risk through an ongoing review of future commitments and credit facilities.

The table below analyses the entity's financial liabilities into relevant maturity groupings based on the remaining period at the financial year end to the contractual maturity date. The amounts

	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	Over 10 Years
2010				
Long Term liabilities	2 859 606	13 770 433	8 156 741	-
Capital repayments	1 129 864	7 399 011	6 737 722	-
Interest	1 729 742	6 371 422	1 419 019	-

FRANCES BAARD DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

			2010 R	2009 R
<i>Trade and Other Payables</i>	6 063 088	-	-	-
<i>Unspent conditional government grants and receipts</i>	6 544 350	-	-	-
	<u>15 467 044</u>	<u>13 770 433</u>	<u>8 156 741</u>	<u>-</u>
2009				
<i>Long Term liabilities</i>	1 696 425	13 594 568	10 875 654	-
<i>Capital repayments</i>	-	6 473 888	8 526 112	-
<i>Interest</i>	1 696 425	7 120 680	2 349 543	-
	<u>15 679 431</u>	<u>13 594 568</u>	<u>10 875 654</u>	<u>-</u>
<i>Trade and Other Payables</i>	6 031 552	-	-	-
<i>Unspent conditional government grants and receipts</i>	7 951 454	-	-	-
	<u>15 679 431</u>	<u>13 594 568</u>	<u>10 875 654</u>	<u>-</u>

41 FINANCIAL INSTRUMENTS

In accordance with IAS 39.09 the financial sets of the municipality are classified as follows:

Financial Assets

Classification

Investments

Fixed Deposits

Held to maturity

-

-

Long-term Receivables

Staff Loans

Loans and Receivables

-

-

Consumer Debtors

FRANCES BAARD DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

		2010 R	2009 R
Trade receivables from exchange transactions	Loans and Receivables	491	1 100
Other receivables from non-exchange transactions	Loans and Receivables	3 985 873	4 668 430
Other Debtors			
Payments made in Advance	Loans and Receivables	-	-
Current Portion of Long-term Receivables			
Staff Loans	Loans and Receivables	-	-
Short-term Investment Deposits			
Call Deposits	Held to maturity	65 300 000	70 100 000
Bank Balances and Cash			
Bank Balances	Held to maturity	564 008	203 089
Cash Floats and Advances	Held to maturity	3 300	3 300
SUMMARY OF FINANCIAL ASSETS			
Held to maturity:			
Investments	Fixed Deposits	-	-
Short-term Investment Deposits	Call Deposits	65 300 000	70 100 000
Bank Balances		564 008	203 089
Cash Floats and Advances		3 300	3 300
		65 867 308	70 306 389
Loans and Receivables			
Long-term Receivables	Staff Loans	-	-
Taxation Revenue	Non-Exchange Transactions	197 853	-
Consumer Debtors	Exchange transactions	491	1 100

FRANCES BAARD DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

		2010 R	2009 R
Consumer Debtors	Non-exchange transactions	3 985 873	4 668 430
Other Debtors	Payments made in advance	-	-
Current Portion of Long-term Receivables	Staff Loans	-	-
		4 184 217	4 669 530
Total Financial Assets		70 051 525	74 975 919
<u>FINANCIAL LIABILITIES</u>			
In accordance with IAS 39.09 the Financial Liabilities of the municipality are classified as follows (FVTPL = Fair Value through Profit or Loss):			
<u>Financial liabilities</u>	<u>Classification</u>		
Long-term Liabilities			
Annuity Loans	At amortised cost	13 977 511	15 000 000
Capitalised Lease Liability	At amortised cost	159 221	
Provisions		23 765 951	24 490 808
Creditors			
Trade creditors	At amortised cost	1 880 343	4 000 606
Payments received in advance	At amortised cost	19 444	16 722
Retentions	Not valued at FVTPL	689 086	696 254
Other creditors	At amortised cost	3 474 214	1 317 970
Unspent Conditional Grants and Receipts			
Other Spheres of Government	At amortised cost	6 544 350	7 951 454
Operating Lease Liability			
Operating Lease Liability	Not valued at FVTPL	-	19 432
Current Portion of Long-term Liabilities			
Annuity Loans	At amortised cost	1 129 864	-
Total Financial Liabilities		51 639 985	53 493 246

FRANCES BAARD DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

2010
R

2009
R

42 EVENTS AFTER THE REPORTING DATE

The Municipality is not aware of any events after the reporting date.

43 PRIVATE PUBLIC PARTNERSHIPS

Council has not entered into any private public partnerships during the financial year.

44 COMPARISON WITH THE BUDGET

The comparison of the municipality's actual financial performance with that budgeted, is set out in Annexures "E (1) and E (2)".

45 RELATED PARTY TRANSACTIONS

	Rates	Service Charges	Other	Outstanding Balances
45.1 Year ended 30 JUNE 2010				
Councillors	-	47.95	-	-
Municipal Manager and Section 57 Employees	-	-	-	-
Year ended 30 JUNE 2009				
Councillors	-	-	-	-
Municipal Manager and Section 57 Employees	-	-	-	-

The rates, service charges and other charges are in accordance with approved tariffs that were advertised to the public. No bad debt expenses have been recognised in respect of amounts owed by related parties.

45.2 Related Party Loans

Since 1 July 2004 loans to councillors and senior management employees are not permitted. Loans granted prior to this date, together with the conditions, are disclosed in note 12 to the Annual Financial Statements.

FRANCES BAARD DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

2010
R

2009
R

45.3 Compensation of key management personnel

The compensation of key management personnel is set out in note 22 to the Annual Financial Statements.

45.4 Other related party transactions

The following purchases were made during the year where Councillors or staff have an interest:

<u>Councillor/Staff Member</u>	<u>Entity</u>	<u>Amount</u>	<u>Amount</u>
A Florence (Executive Mayor)	African Paper Products	R	2 900

45.5 Exemptions taken according to Directive 4 - Transitional Provisions for Medium and Low Capacity Municipalities.

GRAP 19 -Provisions, Contingent Liabilities and Contingent Assets

The municipality opted to take advantage of the transitional provisions as contained in Directive 4 of the Accounting Standards Board, issued in

Refuse tip-sites financed by way of a provision;

The municipality is currently in a process of identifying all provisions which must be measured in terms of GRAP 19 and it is expected that this process will be completed for inclusion in the 2011 financial statements.

Since the previous reporting date the following provisions were measured in accordance with GRAP 19 and restated retrospectively:

Refuse tip-sites financed by way of a provision;

Post retirement benefits

-	-
-	20 046 240
-	20 046 240

GRAP 100 -Non-current assets and discontinued operations

The municipality opted to take advantage of the transitional provisions as contained in Directive 4 of the Accounting Standards Board, issued in March 2009. The municipality did not recognise non-current assets held for sale and discontinued operations relating to Inventories, Investment Properties, Property, Plant and Equipment, Agriculture and Intangible Assets which are not recognised in terms of the transitional provisions relating to those standards:

FRANCES BAARD DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

2010
R

2009
R

GRAP 16 - Investment Properties

The municipality opted to take advantage of the transitional provisions as contained in Directive 4 of the Accounting Standards Board, issued in March 2008. The municipality did not recognise all the Investment Properties:

The municipality is currently in a process of identifying all Investment Properties and have it valued in terms of GRAP 16 and it is expected that this process will be completed for inclusion in the 2011 financial statements.

Since the previous reporting date the following Investment Properties were measured at fair value in accordance with GRAP 16 and restated retrospectively:

Land with undetermined use;

Land;

Buildings; and

Land and Buildings.

Total not previously recognised now restated retrospectively

-

-

-

-

-

-

-

-

-

-

-

-

GRAP 102 - Intangible Assets

The municipality opted to take advantage of the transitional provisions as contained in Directive 4 of the Accounting Standards Board, issued in March 2009. The municipality did not recognise or measure all the Intangible Assets in accordance with the standard, including the following:

Computer Software;

Intangible assets financed by way of finance leases;

Intangible assets transferred as a result of the transfer of functions; and

Servitudes.

The municipality is currently in a process of identifying all Intangible Assets and have it valued in terms of GRAP 102 and it is expected that this process will be completed for inclusion in the 2011 financial statements. It is possible that certain intangible assets are currently being recognised as Property, Plant and Equipment.

Since the previous reporting date the following Intangible Assets were measured in accordance with GRAP 102 and restated retrospectively:

FRANCES BAARD DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

Computer software;
Accumulated amortisation on computer software
Total not previously recognised now restated retrospectively

2010	2009
R	R
-	-
-	-
-	-
<u>-</u>	<u>-</u>
<u>-</u>	<u>-</u>

GRAP 12 - Inventories

The municipality opted to take advantage of the transitional provisions as contained in Directive 4 of the Accounting Standards Board, issued in March 2009. The municipality did not recognise the following inventories:

Water;
Land held for sale; and
Other (list).

The municipality is currently in a process of identifying all inventory which must be measured in terms of GRAP 12 and it is expected that this process will be completed for inclusion in the 2011 financial statements.

Since the previous reporting date the following inventories were measured in accordance with GRAP 12 and restated retrospectively:

Water;
Land held for sale; and
Other (list).

-	-
-	-
-	-
<u>-</u>	<u>-</u>
<u>-</u>	<u>-</u>

Process to comply fully with the implementation of General Recognised Accounting Practices (GRAP)

The municipality adopted a phased-in approach in order to comply fully with the implementation of GRAP. The municipality is classified by the National Treasury as a medium capacity municipality and must comply with GRAP by 30 June 2009. The municipality, however, took advantage of the transitional provisions in Directive 4 from the Accounting Standards Board and aims to comply fully with GRAP by 30 June 2011.

APPENDIX A								
FRANCES BAARD DISTRICT MUNICIPALITY: SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2010								
EXTERNAL LOANS	Loan Number	Redeemable	Balance at 01/07/2009	Received during the period	Redeemed written off during the period	Balance at 30/06/2010	Carrying Value of Property, Plant & Equipment	Other Costs in accordance with MFMA
LONG-TERM LOANS			R	R	R	R	R	R
Registered Stock Loans			-	-	-	-		
Total Long-Term Loans			-	-	-	-	-	-
ANNUITY LOANS								
DBSA Loan:-								
Frances Baard council Chamber & Offices	103363/1	10 Years	15 000 000	-	-	15 000 000		
Total Annuity Loans			15 000 000	-	-	15 000 000	-	-
GOVERNMENT LOANS								
Total Government Loans			-	-	-	-	-	-
LEASE LIABILITY								
Lease Liability			-	337 110	70 513	266 597		
Total Lease Liability			-	337 110	70 513	266 597	-	-
TOTAL EXTERNAL LOANS			15 000 000	337 110	70 513	15 266 597	-	-

APPENDIX B

FRANCES BAARD DISTRICT MUNICIPALITY: ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2010

	Cost / Revaluation					Accumulated Depreciation				Carrying Value	Budget Additions 2010
	Balance at 01/07/2009	Additions	Under Construction	Disposals	Balance at 30/06/2010	Balance at 01/07/2009	Additions	Disposals	Balance at 30/06/2010		
COMMUNITY ASSETS											
Land & Buildings	106 676	-	45 000	-	151 676	10 677	3 567	-	14 244	137 432	-
Security Measures	366 828	16 988	152 577	-	536 393	136 621	107 685	-	244 306	292 087	-
Total: Community Assets	473 504	16 988	197 577	-	688 069	147 299	111 252	-	258 550	429 519	-
HERITAGE ASSETS											
Statues	591 898	35 529	-	-	627 427	-	-	-	-	627 427	35 530
Total: Heritage Assets	591 898	35 529	-	-	627 427	-	-	-	-	627 427	35 530
OTHER ASSETS											
Land & Buildings	36 649 912	5 256 111	249 308	150 000	42 005 330	4 102 243	1 003 380	-	5 105 623	36 899 707	6 965 680
Office Equipment	746 784	2 276 665	25 430	6 754	3 042 125	511 893	425 842	1 802	935 932	2 106 192	115 300
Furniture & Fittings	1 321 539	912 280	-	-	2 233 819	241 636	191 709	-	433 345	1 800 474	301 340
Plant & Machinery	1 754 596	24 790	-	-	1 779 387	153 860	151 998	-	305 858	1 473 529	222 010
Emergency Equipment	454 055	75 567	-	-	529 622	332 279	60 375	-	392 654	136 968	
Motor Vehicle	2 522 436	678 680	-	207 853	2 993 263	1 932 732	359 924	207 852	2 084 804	908 459	680 000
Land Fill Sites	3 200	-	-	-	3 200	-	107	-	107	3 093	
Computer Equipment	3 301 161	617 610	-	-	3 918 771	2 147 014	652 260	-	2 799 274	1 119 497	782 690
Total: Other Assets	46 753 682	9 841 703	274 738	364 607	56 505 516	9 421 657	2 845 594	209 654	12 057 597	44 447 920	9 067 020
Less transferred to Non- Current Assets Held for Sale	(150 000)				(50 025)				(50 025)	-	
TOTAL ASSETS	47 669 084	9 894 219	472 315	364 607	57 770 987	9 568 956	2 956 846	209 654	12 266 121	45 504 866	9 102 550

APPENDIX C

FRANCES BAARD DISTRICT MUNICIPALITY: SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2010

	Cost					ACCUMULATED DEPRECIATION				Carrying Value
	Balance at 01/07/2009	Additions	Under Construction	Disposals / Adjustments	Balance at 30/06/2010	Balance at 01/07/2009	Additions	Disposals / Adjustments	Balance at 30/06/2010	
Executive and Council	1 774 100	118 006	-	139 850 * 6 753.51 (13 730 710) *	2 025 203	273 806	344 109	317 844 1 802.22 (4 371 782)	933 956	1 091 247
Finance & Admin	19 270 698	1 353 906	-	207 853 14 192 344 *	6 686 040	8 264 589	913 317	207 852 4 308 470	4 598 272	2 087 768
Planning & Development	25 483 958	8 073 103	319 738	150 000 (30 453) *	47 919 143	380 727	1 560 207	- 3 132	6 249 404	41 669 739
Health	271 711	12 419	-	- (10 995) *	253 677	107 054	43 781	0 (3 533)	153 967	99 710
Community & Social Services	10 995	-	-	- 23 816 *	0	3 533	-	- 9 918	0	(0)
Housing	26 594	306 816	-	- (583 851) *	357 226	10 195	39 536	- (264 050)	59 648	297 577
Public Safety	981 028	29 970	152 577	-	579 724	529 053	55 896	-	320 900	258 825
Sport & Recreation	-	-	-	-	-	-	-	-	-	-
Environmental Protection	-	-	-	-	-	-	-	-	-	-
Waste Management	-	-	-	-	-	-	-	-	-	-
Road Transport	-	-	-	-	-	-	-	-	-	-
Water	-	-	-	-	-	-	-	-	-	-
Electricity	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
TOTAL PER VOTE	47 819 084	9 894 219	472 315	- * 364 607	57 821 012	9 568 956	2 956 846	- * 209 654	12 316 147	45 504 865
Less transferred to Non- Current Assets Held for Sale	-150 000				-50 025				-50 025	0
Total Assets	47 669 084	9 894 219	472 315	364 607	57 770 987	9 568 956	2 956 846	209 654	12 266 122	45 504 865
* Internal Transfers										

APPENDIX D

FRANCES BAARD DISTRICT MUNICIPALITY: SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE AS AT 30 JUNE 2010

Actual Income 2009 R	Actual Expenditure 2009 R	Surplus / (Deficit) 2009 R		Actual Income 2010 R	Actual Expenditure 2010 R	Surplus / (Deficit) 2010 R
2 148 248	(16 158 118)	(14 009 870)	Executive and Council	1 258 810	(17 576 669)	(16 317 859)
67 134 207	(20 111 658)	47 022 549	Finance & Admin	69 775 704	(27 296 512)	42 479 192
16 164 075	(38 315 337)	(22 151 262)	Planning & Development	19 595 293	(38 429 553)	(18 834 259)
92 000	(1 415 317)	(1 323 317)	Health	214 409	(2 203 681)	(1 989 272)
-	(749 402)	(749 402)	Community & Social Services	-	(399 477)	(399 477)
1 391 224	(1 394 000)	(2 776)	Housing	1 550 172	(1 875 153)	(324 980)
731 420	(1 843 984)	(1 112 564)	Public Safety	1 411 510	(2 435 139)	(1 023 629)
-	-	-	Sport & Recreation	-	-	-
-	-	-	Environmental Protection	-	-	-
-	-	-	Waste Management	-	(142)	(142)
-	-	-	Road Transport	-	-	-
22 997	(28 989)	(5 992)	Water	21 259	(22 836)	(1 578)
6 649	(8 690)	(2 041)	Electricity	8 134	(8 741)	(607)
-	-	-	Other	-	-	-
87 690 820	(80 025 495)	7 665 325	SUB TOTAL	93 835 290	(90 247 902)	3 587 388
-	-	-	Less: Inter-Departmental Charges	-	-	-
87 690 820	(80 025 495)	7 665 325	TOTAL	93 835 290	(90 247 902)	3 587 388

APPENDIX E1

FRANCES BAARD DISTRICT MUNICIPALITY: ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2010

	Actual R	Budget R	Variance R	Variance %	Explanation of Significant variances greater than 10 % versus Budget
REVENUE					
Property Rates - DMA	197 853	108 400	89 453	82.52%	Under budget
Property rates - penalties imposed and collection charges	2 061	-	2 061	100.00%	Deviation not significant
Regional Service Levy Replacement Grant	56 927 000	56 927 000	-	0.00%	Deviation not significant
Government grants and subsidies	26 418 642	37 913 070	(11 494 428)	-30.32%	R 2, 512,000.00 was bugeted for Expanded Works Program that was not paid out. R6 122 000 rolled over to 2010 / 11
Actuarial Gains	2 867 566	-	2 867 566	100.00%	Phase in of personnel benefits according to GRAP standards
Service charges	12 550	14 000	(1 450)	-10.36%	Deviation not significant
Rental of facilities and equipment	42 701	36 000	6 701	18.61%	Under Budget
Interest earned - external investments	5 880 677	7 780 000	(1 899 323)	-24.41%	Decrease in interest rates to lower levels than expected
Income for agency services	742 358	715 000	27 358	3.83%	Deviation not significant
Other income	371 883	725 540	(353 657)	-48.74%	Over Budget
Gains on disposal of property, plant and equipment	372 000	372 000	-	0.00%	Deviation not significant
Total Revenue	93 835 290	104 591 010	(10 755 720)	-11.46%	
EXPENDITURE					
Executive and Council	17 576 669	20 416 085	(2 839 416)	-13.91%	Expenditure on Special Projects and Legal Fees less than expected
Finance & Admin	27 296 512	27 301 820	(5 308)	-0.02%	Deviation not significant
Planning & Development	38 429 553	59 930 814	(21 501 261)	-35.88%	Under spending on LED projects, roll overs on allocations to category B municipalities and projects withdrawn
Health	2 203 681	2 367 810	(164 129)	-6.93%	Deviation not significant
Community & Social Services	399 477	522 780	(123 303)	-23.59%	Position of Community Development Officer vacant resulted in slow expenditure
Housing	1 875 153	1 925 780	(50 627)	-2.63%	Expenditure limited to revenue received
Public Safety	2 435 139	3 543 156	(1 108 017)	-31.27%	Under spending due to vacancies and underspending of emergency funds
Water	22 836	44 870	(22 034)	-49.11%	Amount not significant
Electricity	8 741	12 780	(4 039)	-31.61%	Amount not significant
Refuse removal	142	12 470			
Sanitation Services		11 510			
Total Expenditure	90 247 902	116 089 875	(25 818 135)	-28.61%	

APPENDIX E2

FRANCES BAARD DISTRICT MUNICIPALITY: ACTUAL VERSUS BUDGET (ACQUISITION OF PROPERTY PLANT AND EQUIPMENT) FOR THE YEAR ENDED 30 JUNE 2010

Revenue	Actual R	Budget R	Variance R	Variance %	Explanation of Significant variances greater than 10 % versus budget
COMMUNITY ASSETS					
Land & Buildings	45 000	-	45 000.00	-100.00%	As approved by council
Security Measures	169 565	-	169 565	100.00%	Budgeted under other assets and additional approvals by council
Total: Community Assets	214 565	-	214565	100.00%	
HERITAGE ASSETS					
Statues	35 529	35 530	(1)	0.00%	Deviation not significant
	35 529	35 530	(1)	0.00%	
OTHER ASSETS					
Land & Buildings	5 505 419	6 965 680	(1 460 261)	-20.96%	Expenditure as approved by council and wrong classification in budget
Office Equipment	2 302 095	115 300	2 186 795	94.99%	Wrong classification in budget and expenditure as per council resolution
Furniture & Fittings	912 280	301 340	610 940	66.97%	Wrong classification in budget and expenditure as per council resolution
Plant & Machinery	24 790	222 010	(197 220)	-795.55%	Wrong classification in budget
Emergency Equipment	75 567	-	75 567	100.00%	Expenditure under community asset
Motor Vehicle	678 680	680 000	-1 319.68	0.00%	Deviation not significant
Land Fill Sites	-	-	-	0.00%	Deviation not significant
Computer Equipment	617 610	782 690	(165 080)	-26.73%	Over budget for IT Equipment. Acquisitions not realised due to vacancies
Total Other Assets	10 116 441	9 067 020	1 049 421	10.37%	
TOTAL ASSETS	10 366 535	9 102 550	1263986	12.19%	